Kansas Department of

Social and Rehabilitation Services

Gary J. Daniels, Acting Secretary

Joint Committee on State Building Construction
November 15, 2004

FY 2006 Capital Improvement Projects and Lease Savings From Service Delivery Redesign Initiative

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FY 2006 Capital Improvement Projects

Chairman Morris and members of the Committee, thank you for the opportunity to appear before you today to review FY 2006 Capital Improvement Projects and Lease Savings From Service Delivery Redesign Initiative.

After presenting testimony to this Committee in August, SRS revised the FY 2006 capital improvements request. This revised request was included in our budget submission. SRS's FY 2006 request for rehabilitation and repair totals $1,706,506, including $1,406,560 from the State Institutions Building Fund. This represents a decrease of $4,985,181 from the previous estimate of $6,691,741. The attached tables provide a detailed explanation of the projects which were moved out of our first priority and were not included in our budget submission. The determination of which projects receive priority was made by assessing the conditions and urgency surrounding each project on an individual basis and weighing the severity of the consequences of delaying projects.

Lease Savings from Service Delivery Redesign Initiative

SRS began local office closures in May 2003. Since that time, a total of 55 local offices have been closed. As the local offices closed, four expanded regional service centers covering a much expanded territory were established (Colby, Phillipsburg, Liberal and Winfield). Wherever practical, existing office space was used for the service center. The net effects of closing the local offices and opening the service centers resulted in a reduction of 96,100 sq. ft. of office space between May 2003 and October 2004.

In considering the savings from SRS' service redesign initiative, several factors must be considered.

- From the program perspective, the emphasis on partnering with other service agencies to develop community access points was designed to leverage existing community resources to make SRS more accessible to the consumer. Leasing cost savings is an associated benefit, but not the sole purpose.

- Leases for the closed offices were often negotiated many years ago and renewed over the years. New leases reflect costs due to locking in a rate several years forward. There can be as much as a 20 year difference in the origination date of the old lease and the expiration of the new lease. When inflation is considered, a straight line comparison of lease costs will overstate forward costs relative to the older costs.

- Replacement leases at the service centers were generally for larger offices. This reflected the larger scope of activities in a regional service center. In addition, co-location with other agencies where appropriate, has meant larger space requirements. In several communities, there is a more limited supply of large office spaces for rent; as a result rents are not as competitive. For example, in Colby no space was available and a new building and long term lease was required.

- Typically, total space used in older SRS offices was well below that allowed by current Division of Facilities Management space standard guidelines. Some of the additional space requirements are due to bringing SRS offices to a standard acceptable for use government wide.

The factors above have each had an impact on the leasing savings resulting from the service delivery redesign initiative. Still the annualized savings from the closing of SRS field offices through FY05 is projected to be $421,789. That represents $612,662 from the closures, less the additional costs of $190,873 from the expansions of regional service centers. Additional savings of about $25,000 will be realized when the remaining 7 offices are closed and the savings are annualized.

This concludes my testimony. I will gladly stand for any questions.