CHAPTER 11

CENTRAL SERVICES

Welcome to Central Services! This comprehensive chapter is created to bolster state agency understanding of Central Services and their requirements for budget submittal. Check out the instructions and information below, but if at any time you have questions or your agency's budget submittal requirements concerning Central Services, please contact your OFM analyst or Bryan Way at OFM. We're glad to help!

WHAT ARE CENTRAL SERVICES?

Central services are core services that almost all state agencies need to support their operations and missions provided by a central service provider, such as legal services, statewide financial systems, administrative hearings, information technology, worker's compensation, auditing services, as well as some financial, human resources, and IT services tailored for small agencies. By consolidating the delivery, compliance, and programming of these services to a single or small number of providers, services become more cost effective and efficient for the state in whole. For example, by having a single state internet network for all state agencies to use monitored by a team of cyber security professionals, we prevent the need for every state agency to setup their own internet network and cyber security team, which creates efficiencies and economies of scale.

As of the 2020 supplemental budget, approximately $1.2 billion was provided to 105 state agencies to pay for 34 services (sees table at the end of this chapter for more information). Funding provided to state agencies for central services is typically estimated by the service provider using information about the agency's consumption, usage, size, or cost of the activities through the normal budget process; however, it is important to note that not all service offerings provided by these agencies are receive funding in this manner. This is also a way of distributing certain costs incurred by central service providers (such as the Attorney General's Office, Department of Enterprise Services and OFM) to customer agencies.

After the release of the Governor's budget and final legislative budget, OFM posts a report at www.ofm.wa.gov that includes a statewide roll-up of costs as well as each agency's specific share of the central service charges. An inventory of all the individual service charges included in the 2020 supplemental budget (chapter 357, laws of 2020 (ESSB 6168)) is available at the end of this chapter.

WHICH AGENCIES ARE CENTRAL SERVICE PROVIDERS?

The agencies below are central service providers; however, not all of the services these agencies provided are funded through this process. Please see the list at the end of this chapter for specific items that are funded as Central Services. In general, services that are consumption based do not receive funding through this process.

- Attorney General's Office
- Consolidated Technology Services
- Department of Enterprise Services
- Department of Labor and Industries
- Office of Administrative Hearings
- Office of Financial Management
- Office of the Secretary of State
- State Auditor's Office

WHEN DOES MY AGENCY SUBMIT THE FUND SPLIT WE WOULD LIKE USED FOR CENTRAL SERVICES? WHERE IS THE FORM I USE?

During the biennial budget submittal, state agencies are required to submit an updated fund split for central services. Fund splits are not updated in the supplemental budgets; however, please contact your OFM analyst if you have identified an issue or need to update. OFM and the legislature use the information to ensure that the funding adjustments made in the budget are reflective of the percentages each agency must use for these costs.

Leading up to the biennial budget submittal, OFM sends out the template that agencies must use. Currently, that document is a Microsoft Excel worksheet and it is important that agencies submit their fund split using this template as it has macros that help us aggregate data from all the individual agency files to load into the central service model. It is important the percent you indicate for central services be as accurate as possible. Fiscal staff from the legislature and OFM will review your update, looking for significantly changes or instances where your past expenditures are different from your update request, and may contact you with questions.

Regardless of whether your agency's fund split has changed, OFM still requires written confirmation during the biennial budget submittal. Please send updated fund split information to your assigned budget analyst with a copy to Bryan Way.

DOES MY AGENCY RECEIVE FUNDING FOR CENTRAL SERVICES?

Yes, state agencies in the legislative, judicial and executive branches, as well as the universities, community and technical colleges, receive funding in the biennial, first supplemental and carryforward budgets. If you receive services or benefit from applicable statewide services, your agency is expected to pay for services rendered.

WHEN ARE THESE CALCULATED AND WHEN DO I RECEIVE FUNDING?

The Governor and legislative budgets distribute funding to agencies for changes in central services and are likely to change with each budget release until a final budget is in place. Central service funding at the end of each budget becomes the new base for the next budget. Funding for central services is adjusted in the biennial, first supplemental budgets, and carry forward but it is **not** adjusted in the second supplemental. At the end of the biennium, agency budgets could have a positive or negative variance as some allocations are based on estimates and actual consumption, usage, and actual cost.

Central service billings

For some services, the provider agency must estimate or forecast the amount they anticipate to provide each customer agency for their services. Actual billings may vary from estimates. Customer agencies shall pay these billings in a timely manner and in full as they would pay bills from other vendors.

Immediately notify service provider agencies of extraordinary service needs

Agencies that anticipate requiring an unusual or extraordinary level of service should contact the appropriate service agency to discuss the anticipated nature and scope of the need as promptly as possible to allow for sufficient time for the consideration of your agency's need before budget decisions are made. This approach enables service agencies to plan an appropriate estimate of funding they need to cover the cost of the services they expect to provide.

WHERE IN THE BUDGET CAN I SEE THE AMOUNTS I RECEIVED FOR CENTRAL SERVICES?

Central services have their own grouping within each agency's recsum. Each central service item is bundled in one of the budget step codes below. Some codes incorporate multiple central service provider offerings.

CODE	BUDGET STEP TITLE	CENTRAL SERVICE AGENCY
92A	State Data Center Debt Service	Consolidated Technology Services
92C	Archives/Records Management	Secretary of State
92D	Audit Services	State Auditor's Office
92E	Attorney General	Attorney General's Office
92G	Administrative Hearings	Office of Administrative Hearings
92J	CTS Central Service	Consolidated Technology Services
92K	DES Central Services	Department of Enterprise Services
92R	OFM Central Services	Office of Financial Management
92S	Worker's Comp	Department of Labor and Industries
92X	Self-Insurance Premium	Department of Enterprise Services

HOW IS THE FUND SPLIT USED TO SPREAD CENTRAL SERVICES DETERMINED? WHO DOES THIS?

The process starts with agency submitted information to distribute funding for central services. This is done by fund splits, which represent how OFM and the legislature will allocate central service funded costs among agencies and their different agency funds.

Some agencies may need to adjust fund splits for the 2021-23 central service model. OFM will provide agencies with a spreadsheet with the 2020 supplemental operating budget latest fund split information and information about recent legislative changes that may affect fund splits.

Agencies must review the fund splits against how the agency paid the CSM bills and update the spreadsheet, if necessary. If changes are needed, the agency must provide a short description explaining proposed updates. Fund split adjustments are due at the same time as the agency biennial budget submittal to OFM.

Regardless of whether fund splits are changing or remaining the same from 2019-21 to 2021-23, OFM still requires written confirmation. Send updated fund split information to your assigned budget analyst with a courtesy copy to Bryan Way.

A table showing the methodology used to distribute each central service model item for the 2020 supplemental budget is available at the end of this chapter.

WHY CHARGES ARE SPREAD THIS WAY

Costs for services delivered by the central service provider agencies must be paid in some manner. These central service agencies need to bill agencies for their services and the agency must use appropriate funding from their agency authority. It is this logic that then provides the fund splits information by central service agency billing that is used to add/reduce funding through the central service model.

HOW CAN I SEE MY BASE FUNDING AND AMOUNT BY FISCAL YEAR?

Unfortunately, the central service model carries forward biennial amounts by state agency but not detail by fiscal year so there's no easy way to identify amounts provided by fiscal year, especially for items that have been in existence for a while. During the allotment process, customer agencies are encouraged to make their best guess based on what they know about how their agency uses or consumes a service and may want to consider evenly splitting funds by fiscal year in events where it is unknown and the fund sources are not restricted to a particular fiscal year.

HOW CAN MY AGENCY RECEIVE FUNDING FOR A CENTRAL SERVICE?

Sometimes agencies want to join a service that receives funding through the central service model, such as the small agency IT service that Consolidated Technology Services offers. In these instances, please inquire with the central service provider and your OFM budget analyst about becoming a new customer.

MY AGENCY'S CONSUMPTION OF A SERVICE DIDN'T CHANGE BUT WE RECEIVED ADDITIONAL FUNDING. WHY?

Like all state agencies, central service providers need and/or receive funding for things above their existing base budget (such as the global compensation items that all agencies receive). Additionally, there are some other services they provide that benefit all state agencies or the public at large need to be paid for in some manner. These costs are distributed to state agencies using a prescribed methodology. For more information about the methodology used to calculate each central service item, please see the table at the end of this chapter.

WHICH BUDGETS ARE ADJUSTED FOR CENTRAL SERVICE COSTS?

Adjustments for central services are included in the operating and transportation budgets, but not the capital budget.

MY AGENCY IS A CENTRAL SERVICE PROVIDER. WHAT INFORMATION IS REQUIRED?

Central service provider agencies must maintain properly documented methodologies for each service they provide, including detail about how the methodology billing was determined. Total revenues must match estimated billing costs. Agencies that administer central service fees must provide OFM with a worksheet detailing proposed charges by agency and a detailed explanation of significant changes that have occurred since the last adjustment to the model.

For accounts where the central service fee is the only funding source, total revenues must match estimated billing costs. OFM will provide a formatted spreadsheet and instructions to the central service agencies for their use in preparing this list.

RISK MANAGEMENT AND SELF-INSURANCE PREMIUMS

DES administers the state's risk management and self-insurance liability programs. For more information about these programs, please contact DES Risk Management.

How are self-insurance premiums calculated?

Actuaries prepare estimates for self-insurance premiums and will be shared when available. Agencies do not need to submit decision packages for routine self-insurance premium adjustments as any cost adjustment will be handled through the central service model and distributed appropriately to agency budgets as necessary.

What if your agency anticipates an extraordinary risk management cost?

Request other extraordinary ERM-related costs (e.g., unexpected costs related to implementing ERM programs or unexpected costs related to specific risks and their associated treatment plans) in a separate PL DP.

If your agency anticipates extraordinary ERM costs, are their other requirements in addition to drafting and submitting a decision package?

Yes, agencies must submit an ERM update with their budget submittal after first submitting it to DES' Office of Risk Management (ORM). The update should be a one-page submittal describing three major risks that could affect the agency's ability to achieve its strategic objectives/goals on time and any existing or proposed initiatives the agency has to address these risks. When submitting a request concerning enterprise risk management, please do **not** include confidential information related to specific claims or lawsuits. Agencies must seek advice from agency legal staff if there are questions about confidentiality issues. Email a copy of the update to ORM prior to submitting your agency's budget request.

Resources

ORM can provide a loss history profile of agency losses, including pending claims. For additional risk management information and resources, visit the ORM website. ORM staff members are available to assist you with interpreting loss trends and developing risk management goals at 360-407-9199.

WORKER'S COMPENSATION PREMIUMS

The Department of Labor and Industries administers the statewide worker's compensation program. Actuaries prepare estimates for premiums and funding for this purpose is adjusted accordingly through the central service model. Premium adjustments will be processed through the central service model and distributed to agencies accordingly. For more information about this program, please contact the agency.

ARE THERE OTHER CENTRAL SERVICE PROVIDER CHARGES NOT INCLUDED IN THE CENTRAL SERVICE MODEL?

Yes, agencies do not receive funding for the all activities and services that central service providers offer, particularly for items where the customer agency has a choice in deciding how much to consumer, use, or cost of the service they receive. Some of the services that fall into this category are consumption based so costs can sometimes escalate quickly. A short list of examples of these charges is below; however, the list is not all-inclusive and the customer agency should contact the

agency that offers the service for more information to fully understand how they will be billed and charged for the service. Budgeting for these charges is the responsibility of the agency receiving the service.

Here is a list of fee for service offerings that are NOT funded through central services that frequently are asked about:

AGENCY	CHARGE
Attorney General's Office	**Short-term attorney services.** Legal representation that is not expected to be ongoing is typically funded directly in the agency's budget. Agencies are also able to obtain additional representation that is funded outside of the Central Services.
Consolidated Technology Services	**State data center usage.** The fees charged for server enclosure, power consumed, and related items at the state data center are not funded through the central service model; however, the cost of the debt service of the state data center and its general operations are funded through this process.
Department of Enterprise Services	**Motor pool**. Many agencies use the state's centralized fleet service instead of owning their own vehicles. Agencies have the ability to decide how much of this service to consume; therefore, it is not funded through central services.
Department of Enterprise Services	**Consolidated mail services.** Like motor pool, agencies also have the ability to choose how much of this service to consume.
Office of Financial Management	**Personnel services charge.** This charge funds many statewide human resources services. Agencies with classified positions must pay this charge.
Office of Financial Management	**Labor relations fees.** Fees charged by the labor relations unit are for labor relations services, such as biennial contract negotiations and bargaining on grievances and other union issues.

HOW CAN AN AGENCY KNOW IF ANY OF THE ABOVE CHARGES IMPACT YOUR AGENCY?

The agency financial records will reflect payments made to the agencies, based on invoices sent for payment.

WHO TO CONTACT IF YOU HAVE QUESTIONS ABOUT CENTRAL SERVICES

Bryan Way, 360-522-3976 or bryan.way@ofm.wa.gov.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Attorney General's Office	**Legal services.** Used to provide funding for agencies requiring long-term representation on legal issues. Funding for short-term needs is typically provided directly in the customer agency's budget.	YES	The Attorney General's Office provides an estimate of anticipated workload using various factors. Agencies requiring funding for legal representation must coordinate their budget submittal with the Attorney General's Office.
Consolidated Technology Services	**Central Services.** Adjustment for lease costs at 1500 Jefferson office building that are above market rates.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Enterprise Security Infrastructure.** Hardware and software vulnerability scanning platform that enables agency security teams to identify where vulnerabilities reside across their information technology network.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Enterprise System Rates.** Includes secure file transfer, mainframe, and Access Washington.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Global Information Systems.** Provides agencies a shared geospatial portal; does not fund the Washington Master Addressing Service (WAMAS) or Washington Geographic Information Council (WAGIC).	YES	The agency provides a recommendation based on estimated or anticipated agency use.
Consolidated Technology Services	**Office of the Chief Information Officer.** Sets statewide policy and strategic direction concerning information technology, data privacy, technology business management, and open data. Manages major information technology projects.	YES	Charge allocated based on agency IT FTEs. For institutions of higher education (both the four-year institutions and the community and technical college system), only IT FTEs that support administrative functions of the institutions are counted. Instructional staff, hospital staff, and other non-administrative portions of the agencies are exempted from the FTE counts. OFM maintains the source data for budgeted FTEs.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Consolidated Technology Services	**Office of Cyber Security.** Sets statewide information technology standards and policy, monitors the state network to detect, prevent, and respond to cyber attacks, notifies affected agencies in the event of a cyber attack, assists in system recovery, and performs security design reviews and risk assessments.	YES	Agencies with 50+ FTEs pay a yearly base fee of $2000. The remaining cost of the office is allocated based on the agency's number of budgeted FTEs.
Consolidated Technology Services	**SDC Operational Costs.** Covers the cost of operating the state data center above the amounts agencies paid in rates until the 2019-21 biennium.	YES	Funding for the State Data Center is based on total agency IT spend. Agencies document their IT expenditures by coding transactions as project type X or Y in AFRS.
Consolidated Technology Services	**Security gateway.** Includes Secure Access Washington, web application firewall services, reverse proxy services, adaptive authentication, and security certificates. Knowledge-based authentication is not included in this allocation.	YES	All agencies with more than 50 FTEs pay a base fee of $1,500 plus a per FTE fee and a per application fee.
Consolidated Technology Services	**Small Agency IT Services.** Provides tailored supports to meet the information technology needs of small agencies, including full desktop support, server support, Chief Technology Officer, and cyber security.	YES	Total service cost divided by each participating agency's percentage of FTEs.
Consolidated Technology Services	**State Data Center Debt Service.** Debt service for the SDC shared by state agencies.	NO	Funding for the State Data Center is based on total agency IT spend. Agencies document their IT expenditures by coding transactions as project type X or Y in AFRS.
Consolidated Technology Services	**State network**. Provides staffing, equipment, and maintenance for the state network.	YES	Annual cost to support the network core is the cost divided by each agency's percentage of statewide FTEs and transport support is based on each agency's connectivity fee schedule.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Department of Enterprise Services	**Campus contracts.** This fee funds the cost of fire services provided by the Olympia Fire Department, security for the capital campus provided by the Washington State Patrol, and elevator maintenance for buildings located on the capital campus	YES	Number of FTEs with workstations in Thurston County and on-campus real square footage.
Department of Enterprise Services	**Campus rent, utilities and parking.** This fee supports the operations and maintenance of facilities located on the capital campus. A small portion of this fee supports the operations and maintenance of the parking facilities on campus.	YES	Based on occupied square footage.
Department of Enterprise Services	**Capital project surcharge.** This surcharge supports the cost capital projects.	YES	Uses on-campus real square footage.
Department of Enterprise Services	**Enterprise applications fee.** Fee to cover the cost of enterprise systems that support all agencies.	YES	Based on agency ownership.
Department of Enterprise Services	**Financing cost recovery.** Debt service related to the construction, renovation and occupancy of certain space owned and managed by DES.	NO	Based on amount each agency owes.
Department of Enterprise Services	**Perry Street Day Care.** Owned by DES and operated by a non-profit organization, this allocation funds the maintenance of the capital campus child care center.	YES	Based on count of Thurston County FTEs.
Department of Enterprise Services	**Personnel services.** DES provides personnel services to state employees such as the Employee Assistance Program (EAP), recruitment and training.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Department of Enterprise Services	**Public and historic facilities and visitor services.** Public and historic fee pays for the maintenance and operations of the public spaces on capital campus. A small portion of this fee also support the capitol campus Visitor Services Program.	YES	Based on count of Thurston County FTEs.
Department of Enterprise Services	**Real estate services**. DES provides lease renewal services to client agencies.	YES	Weighted three part index based on number, square footage, and value of leases.
Department of Enterprise Services	**Risk management administration.** The administrative fee supports statewide risk management activities and the staff who provide these services as well reviewing and processing tort claims.	YES	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Self-Insurance Liability Account.** Pays for tort claims filed against the state and related legal costs.	YES	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Small agency financial services.** DES provides small agencies with budget, accounting and payroll services.	YES	Payroll - based on number of paychecks processed.
Department of Enterprise Services	**Small agency human resources.** DES provides small agencies with human resource services.	YES	Based on two part index of budgeted FTEs and service level costs.
Department of Labor and Industries	**Workers' compensation.** Type of insurance providing wage replacement and medical benefits to employees injured in the course of their employment.	YES	Actuaries prepare cost estimates for this item. The agency sends this information to OFM.
Office of Administrative Hearings	**Administrative hearings**. Acts as our state's "central panel" organization; provides judges independent from state agencies that adjudicate claims or disputes involving administrative law.	YES	Estimates prepared by the agency of anticipated workload for the biennium. Uses a three-tiered billing model to charge for costs. The agency sends this information to OFM.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Office of Financial Management	**Central service.** Covers certain agency facing services at OFM.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**Enterprise systems rates.** Access and support for statewide financial, budget, contract, procurement, reporting and payroll systems.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**ERP Financing.** Costs for "One Washington, encompasses the replacement of the state's enterprise financial systems.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Secretary of State	**Archives and records management.** Provides document storage within the state archives.	YES	Composite index of box fees and statewide FTEs.
State Auditor's Office	**Auditing services.** Performs audits of state agencies and local governments.	YES	Based on agency's projected work plan as well as additional work to be performed, such as adding an agency to the audit plan).