

CHAPTER 11

CENTRAL SERVICE CHARGES, RISK MANAGEMENT AND SELF- INSURANCE PREMIUMS

What are central services?

Commonly called “central services,” agencies receive funding to cover changes in their costs for a certain limited set of core services that have statewide impacts (e.g., legal services, state data network, campus rents, workers compensation). During the Governor’s budget development process, the Office of Financial Management (OFM) works with the administering agency for each service on adjustments to the existing funding base that agencies currently have. Typically, central service funding changes are applied to the pot of existing funding to reflect the most recent information about each agency’s use of services or account for something new that will change the amount of services they provide. For example, the Office of the Attorney General (ATG) could ask OFM to increase their funding for a state agency to pay them in response to a new lawsuit that has emerged.

Agency	Central Service Fee	Service Provided
Secretary of State	Archives and records management	Archival and records management services
State Auditor	Auditing services	Audit services
ATG	Legal services	Legal services
Administrative Hearings	Administrative hearings	Administrative hearings services
Consolidated Technology Services (CTS)	Enterprise systems rates	Access and support for statewide financial, budget, contract, procurement, reporting and payroll systems.
	Global Information Systems (GIS)	State’s shared geographic information system.
	Office of the Chief Information Officer (OCIO)	OCIO funds the Office of Privacy and Data Protection, sets statewide IT policies and strategic direction, and manages major information technology projects.
	Office of Cyber Security (OCS)	OCIO, through OCS, establishes cyber-security policy and provides full coverage and protection of state information technology including securing the state’s networks and digital infrastructure from external cyber-attacks.
	State Data Center (SDC)	Debt service for the SDC shared by state agencies.
	Security gateway	Secure access for public to state government network (SGN) websites.
	State network	Provides maintenance, operations and improvements to the state network.

Agency	Central Service Fee	Service Provided
Department of Enterprise Services (DES)	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.
	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.
	Capital project surcharge	This surcharge supports the cost capital projects.
	Enterprise applications fee	Fee to cover the cost of enterprise systems that support all agencies.
	Financing cost recovery	Debt service related to the construction, renovation and occupancy of certain space owned and managed by DES.
	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.
	Personnel services	DES provides personnel services to state employees such as the Employee Assistance Program (EAP), recruitment and training.
	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.
	Real estate services	DES provides lease renewal services to client agencies.
	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.
	Self-Insurance Liability (SILA) Premiums	The SILA pays for tort claims filed against the state and related legal costs.
	Small agency financial services	DES provides small agencies with budget, accounting and payroll services.
	Small agency human resources	DES provides small agencies with human resource services.
Department of Labor and Industries (L&I)	Workers' compensation	L&I charges agencies for workers compensation insurance.
OFM	Central service	Covers certain agency facing services at OFM.
	Enterprise resource planning (ERP)	Funding for One Washington, which is the state's major ERP project.
	Enterprise applications fee	Funding to cover statewide forecasting systems owned by OFM.

Charges not included in the central service model

Agencies do not receive funding for all central service costs. Agencies have the choice of deciding how much to utilize certain services. Funding for these services is not typically included in the central service model. Information about these charges is below. For more information about each, please contact the agency that administers the fee. Budgeting for these charges is the responsibility of the client agency:

Agency	Charge	Service Provided
OFM	Personnel services charge	This charge funds many statewide human resources services. Agencies with classified positions must pay this charge.
OFM	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.
DES/CTS	Fee-for-service charges	DES and CTS provide a wide array of other services to agencies on a fee for service basis.

How do I receive funding for these services?

OFM uses a worksheet called the Central Service Model to provide agencies with funding for any adjustments to their existing funding levels. The output of this worksheet feeds adjustments for these services into agency budgets. In anticipation of performing an update to the existing estimates, OFM works directly with agencies that administer central service fees for all routine or maintenance level (ML) adjustments (such as minor changes in service utilization, increased costs due to benefits at the administering agency). Your agency does not need to submit a separate decision package (DP) to cover routine adjustments for the changes in costs to the agency that administers the central service fee. If your agency has a new unfunded need concerning a central service above and beyond your existing service level, please submit a DP at policy level (PL) and be sure to work with the administering agency to ensure that DP estimates align for your agency and the central service agency. The most common example is a new legal service from the ATG.

The Governor's budget is the earliest version of the budget process that includes central service changes. Additional changes to central service funding levels will likely occur throughout the budget process until a final budget is in place. Central service funding at the end of each budget becomes the new base for the next budget.

Central service billings

Some central service funding included in client agency budgets uses the billing agency's best estimate of the services that they will provide as its basis. Other services are billed using the output of the central service model. Actual billings may vary from estimates as billings are from the customer agency's use and cost of actual services provided by the service agency. 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. 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.

What fund split does my agency receive for these services?

Fund splits represent how OFM and the Legislature will allocate central service costs among different agency funds. Some agencies may need to adjust fund splits for the 2019–21 central service model. OFM will provide agencies with a spreadsheet with the latest fund split information and information about recent legislative changes that may affect fund splits. Update the spreadsheet and provide a short description explaining proposed updates. Fund split adjustments are due at the same time as the agency budget submittal.

Regardless of whether fund splits are changing or remaining the same from 2017–19 to 2019–21, OFM still requires written confirmation. Send updated fund split information to your assigned budget [analyst](#) with a copy to [Bryan Way](#).

Required information for central service provider agencies

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.

Self-insurance premiums

Actuaries prepare estimates for self-insurance premiums and any cost changes for 2019–21 will be shared when available. Agencies do not need to submit DPs for routine self-insurance premium adjustments as any cost changes will be processed through the central service model and distributed appropriately to agency budgets as necessary.

Request extraordinary enterprise risk management (ERM) funding separately

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.

An ERM update must be submitted

Agencies must submit an ERM update with their budget submittal and 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](#).

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.