

Efficient Solutions for Managing Cost Reductions within States

CONNECTICUT'S APPROACH



Connecticut's Problem

- Budget Deficit Skyrocketed to \$922 million this fiscal year
- Significantly higher budget deficit for the following two fiscal years.
- What can we do? Stop spending!
- Procurement identified as key area to help with solutions.

Timeline of Events

- 1/12/09 – Governor Rell ordered sweeping review of all existing state contracts; if not essential, terminate; if essential, renegotiate; All but most essential expense can wait;
- 1/13/09 – DAS/Procurement led a SWAT team to begin the contract review effort; Focus: What would you do different in your household if you were facing a loss of income?
- 1/21/09 – SWAT team met with Agency Heads to discuss bids, contracts and personal service agreements and possible cancellation (need to ensure they fully understood the severity of the fiscal problem as it relates to purchases)

Timeline (cont'd)

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- Jan 28, 2009- DAS Procurement completed review and initiated contract cancellations, communicated “do not order” contracts, and began renegotiation efforts.
- Expected FY '09 Savings:
 - Cancellation of Contracts: \$1.3 million
 - Do Not Order Directives: \$18.4 million
 - Total: \$19.7 million

Timeline (cont'd)

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- Renegotiations – Goal was to achieve 1-10% in annual savings (\$3.8 million - \$131.6 million);
- February 13, 2009 – State Agencies informed of results of review; informed of cancelled contracts, “do not order” directives and directed not to skirt the directives by using p-card and delegated authorities to purchase what they want;
- Lot's of Agency Pushback – needed a dramatic culture change – Governor's office asked us to “be tough and err on the side of doing without”.

Timeline (cont'd)

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- Staff directed to “rise to the challenge”
- “Doing so comes with an understanding that state government cannot be all things to all people and cannot afford to do everything we might like; It will require an understanding that state government must be limited , especially in times such as these, by what the people who pay its bills can afford”.

Timeline (cont'd)

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- Feb 28, '09 - DAS set exemption request procedures for emergency and essential purchases; DAS set up monitoring procedures for agencies who hadn't heeded directives;
- March 3, 2009 – Governor Rell Orders Freeze on All State Agency Purchasing – reinforced earlier directives;

Timeline (cont'd)

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- May 2009 – Additional Governor Directives surrounding purchases
- Executive Directive #1:
 - Freeze purchasing for remainder of fiscal year except goods and services that are absolutely and immediately essential to agency operations;
 - Deplete all existing office supplies prior to placing orders – do not warehouse or stockpile; share office supply resources within agency divisions;
 - Agencies should not be attempting to deplete year-end OE budget funds. Any OE fiscal year end balances should lapse to the state general fund;
 - Agency heads should have stepped up purchasing reviews and controls in place to ensure only procuring emergency and essential items;
 - DAS to continue to monitor agency spending and monitor portal for agency abuse (require complete justification from agency before proceeding with purchase)

Timeline (cont'd)

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- Executive Directive #2:
 - Review P-card usage;
 - Cancel all p-cards that haven't been used in last 6 months;
 - Suspend all other p-cards other than those required for purchases deemed absolutely and immediately essential to accomplish mission of agency.

Timeline (cont'd)

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- **Executive Directive #3:**
 - Cease all printing of brochures, leaflets, annual reports and similar communications or informational materials (unless state or federally mandated);
 - Cease printing all business cards;
 - Use paperless processes whenever possible

Timeline (cont'd)

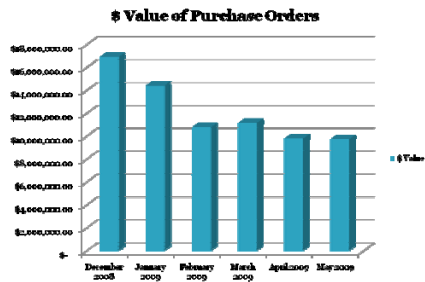
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- **Executive Directive #4:**
 - All Fleet Vehicles subject to travel ban for two days per week (with a few exceptions)

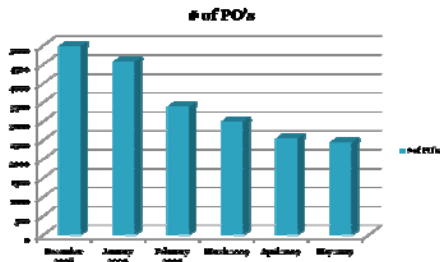
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Where Are We Now?

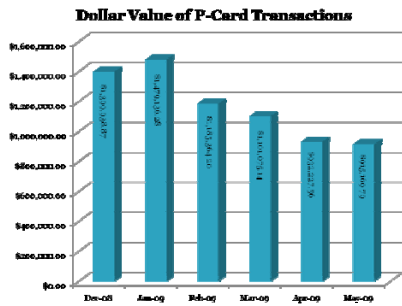
Purchase Order Trends
January – May 2009



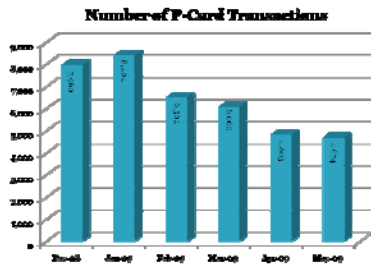
Purchase Order Trends
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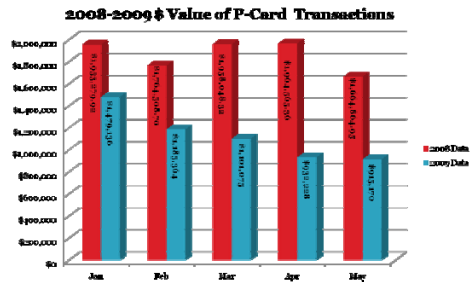
P-Card Trends
December 2008 – May 2009



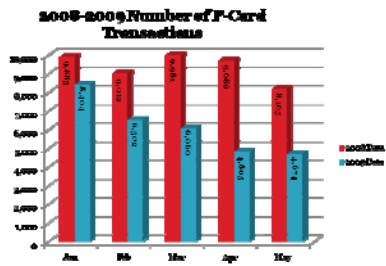
P-Card Trends
December 2008 – May 2009



P-Card Trends
2008 vs. 2009



P-Card Trends
2008 vs. 2009



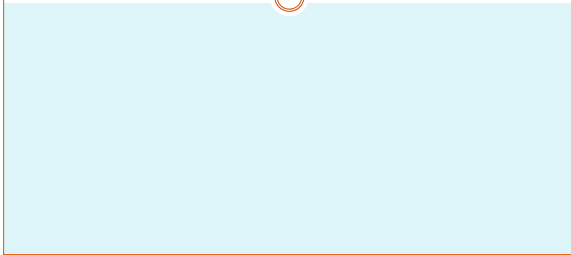
Renegotiation Results To Date

- January Renegotiation Goal was to achieve 1-10% in annual savings (\$3.8 million - \$131.6 million);
- Since then, DAS staff have renegotiated nearly 70 contracts.
- Obtained Increased discounts in some cases;
- Price concessions based on contract extensions;
- Across the board RFPs on new requests rather than ITB (allows us to negotiate).

- \$850,000 in FY 09 savings
- \$3.2 million in Annual savings

Negotiations still ongoing – continued focused effort on lowering costs on all contracts

Questions?



Cost Reduction Strategies

Operational Services Division 

Barbara Miller
Director of Quality Assurance, Training and Outreach
Operational Services Division
Commonwealth of Massachusetts

Agenda

Prompt Payment Discount Program

Driving Down Costs Outside the Procurement Process

- \$ave\$mart Program
- Pathways to Procurement
- STAR / EPP Events
- Communication and Education


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Who is our buying community

- Municipalities
- Executive & non-executive Commonwealth Departments
- Independent Authorities
- Commissions
- Quasi-public agencies
- Libraries
- Public Hospitals
- Non-Profit Human & Social Service Contractors
- Other Massachusetts political subdivisions

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Show me the money!!!!



Helping your buyers save money will drive up demand and ultimately drive down costs!

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“Prompt Payment Discounts”

- Most Statewide Contracts offer Prompt Payment Discounts
- Provide Additional Savings
 - Standardized terms
 - Identified by “P” icon in Comm-PASS
- There are currently over 2000 opportunities for prompt payment discounts with Statewide Contracts!!
- In the first three quarters of FY 2009 Commonwealth Departments Saved \$ 1,859,934.66

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**Prompt Payment Discounts
One Agency's Story**

- Division of Youth Services
 - Decentralized Department Procurement / Purchasing
 - Centralized Payment Processing
 - Realized they were loosing \$\$\$ by not taking advantage of PPD
 - Created process and workflow to “move” payment process in a timely fashion
 - Is now processing payments in time for PPD!



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Save\$mart Program

“Greater Savings on Statewide Contracts”

- Identifies “Cost Savings” and other incentives on a Statewide Contract and markets to eligible entities
- Easy recognition of savings opportunities
- Replaces the term(s) Big Buy, Special Purchase.....
- Increased awareness and utilization of Statewide Contracts



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How the Program Works

- Procurement Managers & Vendors work together to identify opportunities
 - Reduction for a limited time on a Statewide Contract pricing for specific items
 - Free training opportunities
 - Survey of existing products (example environmental impact)
 - OSD may Aggregate Purchasing Opportunities
- **Vendor Participation is OPTIONAL!**

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The Vendor may ask.... What’s in it for me?

- Builds new customer relationships
- Increase awareness and sales on your Statewide Contracts
- Move overstock merchandise
- Foster new and/or increase relationships with eligible entities
- Promotes your businesses with all eligible entities
- OSD markets the program



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The Results

- FY 08' cost savings of 1.4 MILLION \$\$\$\$
- FY 09" to date
 - 55 Vendors have participated in the program
 - May 2009 – 36 Vendors Participating in the Program!




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Incorporating the Federal e-Rate Program into Statewide Contracts

E-Rate is a discount provided by the federal government and funded by telecommunications providers that helps to supply schools and libraries with Telecommunications

- Several telecommunication Statewide Contracts have an E-RATE Component
- Components Include
 - Informing the buying community about the program
 - Pre-filing of some documentation
 - Information on SLD web site
 - Renewal ahead of time – OSD does its best to start SWC procurements early to assist schools and libraries with the timeline

<http://www.ed.gov/about/offices/list/oii/nonpublic/erate.html>

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Educating the Business Community Increase Competition

- Pathways to Procurement
- Free Workshop for business community
- Overview of Commonwealth Procurement Process
- Where to find bidding opportunities
Comm-PASS

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Pathways to Procurement

- Trained over 2000 businesses
- "In Demand"
 - Businesses are interested in government contracts
 - Three workshops in June
 - Municipalities and Organizations are requesting these sessions
 - Partnering with other Commonwealth Agencies
- An interesting statistic.....
 - OSD is receiving more bids on our Statewide Contracts..
 - All procurement directors are reporting an increase in response

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Educating our Statewide Contractors

- Statewide Contract Kick Off Meeting
- Statewide Contractors Web Site
- Guidance for Statewide Contractors
 - How do I Market my Goods or Services
 - What if my Information Changes
 - Discounts and Payments
 - General Compliance Requirements
 - Assistance and Training
 - Events and Programs



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STAR – Statewide Training and Resources Exposition

- Annual Spring Event
- Brining sellers and buyers together
- 30 educational workshops
- Incorporate \$ave\$mart
- program into event



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EPP Vendor Fair and Conference

- Annual Fall Event
- Brining EPP sellers and buyers together
- Educational Workshops
- Pilot Projects / Product Trials
- EPP Website provides information on cost savings with EPP Products



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The Key is...ongoing Communication and Education

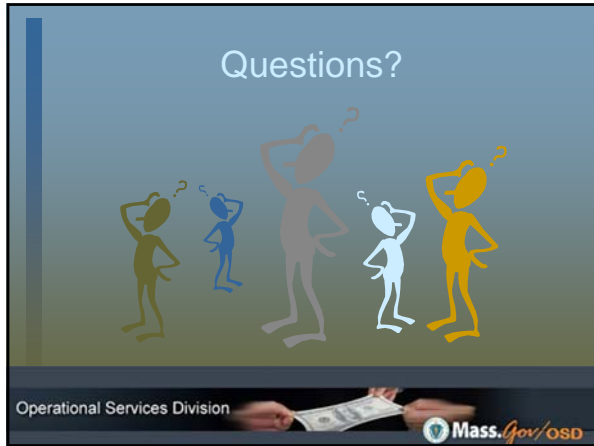
- Monthly e-news letter
- e-mail blasts to Comm-PASS buyers / sellers
- Quarterly Commonwealth Procurement News
- Ongoing Outreach / Training events to both the buying and selling community
- Partnering with public associations
- Partnering with other Government Agencies

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Pennsylvania
Department of General Services

IT Staff Augmentation Contract
&
Software Contract

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SMART BUYING 



Staff Aug: Summary of Changes

Update .Net technologies on Skill Category Matrix

- Downgrade ASP.Net/SQL, C#.Net, and VB.Net to Skill Category 2
- Break-out Senior Consultant into 5 distinct titles
 - Programmer 4, Senior Database Architect, Business SME, Senior Architect, and Senior Program Manager
- Added new Help Desk categories
- .Net category downgraded
- Added "Exception" category
- Reduced all category rates by 10%
- All changes effective 7/1/2009


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Savings and Efficiencies

- Analyzed usage of most-requested job titles and skill categories throughout the life of the contract
 - Product Specialist showed consistent usage
 - Technical coding with product integration expertise
 - Informatica, Aqualogics, and custom applications
 - Senior Consultant category showed variety of usage
 - Senior Developers, Senior Architects, Database Architects, Business SMEs, and Program Managers
 - Add new Help Desk categories for level 2 & 3 help desks

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Savings and Efficiencies

- Change skill category for .Net technology
 - .Net is a high-use programmer profile under the contract
 - Downgrade ASP.Net/SQL, C#.Net, VB.Net from SC3 to SC2
 - Lower market demand for skill
 - Reaching maturity as a skill level

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Savings and Efficiencies

- Break-out Senior Consultant category into 5 distinct titles
 - Usage over the contract life supports five types of resource
 - Programmer 4 (Programming being performed by senior developer)
 - Eliminates some engagements from being pushed to PS3 or SC1
 - Senior Database Architect
 - Business SME
 - Senior Architect
 - Senior Program Manager
 - Allows for better matching of job needs to skills
 - More flexibility for the hiring manager, allowing them to properly categorize the job being performed
 - Greater rate savings
 - Much more granular reporting on spend and IT needs
 - Job requirements outside standard usage would be covered under the newly added Exception category

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New Category: Exception Category

- Will be used to accommodate unique requests for staff augmentation that do not fit into the job categories listed in DGS Attachment D: Job Titles and Descriptions
- DRAFT Guidelines for Use:
- When this category is selected in Peopleclick, the title will appear as DGS/OAOIT Approve only.
- The same title will appear on the contract reports detailing the usage of the category.
- The category has an open bill rate as opposed to a pre-determined fixed rate.
- CAI can provide feedback to agency approvers as to whether the request is unique and has not been filled by any other job category.
- The agency Peopleclick users will need to fill-in the bill rate as determined by the approvals.
- CAI will complete the corresponding vendor rate for Peopleclick before the job requirement is released to the supplier network.

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New Category: Exception Category

- **Examples:**
 - The exception category enables agencies to procure unique IT services such as:
 - Support from Enterprise Security Architects, Support from Enterprise Data Architects; Support from an SAP Solution Manager; SAP Senior Level Functional Consultants; Or a need for support from a specialized OEM supplier of a specific product.
- **Controls:**
 - The DGS/OAOIT Approve only category must be approved by the standard Staff Augmentation approval process as well as OAOIT or DGS. It may only be used for 90 day engagements before requiring additional approval.

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Help Desk Support

- Eliminate the current Help Desk Support 1 and 2 (HDS1, and HDS2) used for level 1 call-center support.
- Implement new categories:
 - Help Desk Analyst 1 (HDA1), Help Desk Analyst 2 (HDA2), and Help Desk Analyst 3 (HDA3)
 - Use for level 2 & 3 IT Service Desk support

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Software Contract

- Will add "Enterprise Licensing Agreement" as standard.
- Will allow for maintenance, support and upgrades
 - If software is purchased from the Contract, software maintenance should be included in the purchase. If the initial maintenance period expires, additional software maintenance should be purchased from the Contract. If software was purchased through a contract vehicle other than the contract, but the software is now available on the contract, software maintenance for that product should be purchased from the contract.
 - The IT ITQ may be used to purchase software maintenance for software products not available on the contract. For that to happen, the software provider must be a registered IT ITQ contractor. The goal of the IT ITQ "software maintenance" service category is to reduce the number of sole source contracts for software maintenance.



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 **Software Contract**

- Will allow for limited services and configuration (up to 40% of initial PO value)
- Will require supplier to maintain electronic repository of signed license agreements
- Establish "Select" and "Enterprise" Microsoft agreements by agency
- Will require supplier to be responsible for keeping track of training credits, electronic licenses and value-added benefits

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 **Events for New Contracts**

- Staff Aug contract expires 4/10/2010
- Software Contract expires 6/30/2010
- RFP Schedule for both contracts
 - July 15: Start RFP process
 - Aug 26: Post RFP
 - Oct 9: RFPs due in
 - Nov 13: BAFO presentations
 - Dec 2009: Execute Contracts for transition and implementation

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