

**NEW YORK STATE  
OFFICE OF GENERAL SERVICES  
PROCUREMENT SERVICES GROUP**

**2005 Cronin Club Classic Innovation Award**

***Aggregated IT Procurement Program***

**Implementation Date:**      **January 2005**

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**The Cronin Club 2005 Classic Innovation Award  
Submission  
*Aggregated IT Procurement Program***

The State of New York Office of General Services (OGS) Procurement Services Group (PSG) has established an Aggregated IT Procurement Program aimed at maximizing cost savings for purchases of Information Technology (IT) hardware, software and services. **The program is a comprehensive approach to applying best practices in the areas of spend analysis, spend management, strategic sourcing, cooperative purchasing, contract negotiation and management, and inter-agency and inter-government collaboration.** The program is available to NY state and local government entities, and is expected to save tens of millions of dollars during the first year, with cost saving opportunities continuing to increase proportional to increased participation and the breadth of aggregated purchases conducted.

**Background**

**New York State has an annual budget in excess of 100 billion dollars, of which 5 billion dollars is spent on IT purchases.** State Finance Law provides municipal government with the authorization to utilize centralized statewide contracts, and encourages and/or mandates such practices. Given that IT purchases by municipal government entities from state centralized contracts averages 2 times the State's purchases, their participation results in significant additional purchase volumes. **Clearly, leveraging the volume of State and local government IT purchasing presents a tremendous opportunity for cost reduction benefiting both the State and local government. However, the scope and scale of such purchasing initiatives requires a comprehensive approach to a process that would address each of the key components and critical success factors inherent in aggregating purchases for such a large number of entities.** The diversity of this group in terms of their autonomy, independence and individual purchasing practices further complicates the process, but also underscores the importance for a comprehensive approach. **The initial impediments to PSG in developing the program hinge on the absence of critical information and limited agency commitment, and no statutory, administrative or operational authority to address these deficiencies.** However, a number of other State agencies are uniquely positioned to work collaboratively with PSG to address these issues.

The New York State Office for Technology (OFT) is charged with coordinating New York State's vast technology resources on an enterprise level. OFT is predicated on collaboration and innovation, and strives to use technology creatively to improve government services, reduce cost and increase communication between State agencies and among State and local governments. The Office of the CIO is responsible for the oversight of the OFT, whose Director reports to the Chief Information Officer.

The Office of the Chief Information Officer (OCIO) is charged with the establishment of information technology policies and standards for State government; the coordination of the development and deployment of State government information technology resources; the development of strategies to improve the State workforce's ability to employ information technology; the facilitation of information sharing between and among State government, local governments, the federal government and institutions of higher learning that will improve the delivery of government services; and working with government, academia and private industry to further the Technology Strategic Plan. The CIO's authority encompasses all state agencies, departments, offices, divisions, boards, bureaus, commissions, public benefit corporations and other entities over which the Governor has executive power.

The development of the CIO Council was one of the priority initiatives of the CIO as a means of facilitating communication between the CIO office, the Office for Technology and other State agencies and authorities. The CIO Council comprises senior IT leadership of State agencies, authorities, public benefit corporations and local governments. Agency CIOs serve as liaisons between their home organizations and the State CIO. The Council addresses issues related to agency and interagency information technology concerns. The CIO

Council has established Standing Committees that include: Leadership, Fiscal/Procurement, Human Resources, Intergovernmental Communications, Security, Strategic Planning and Technology.

OGS is a participant on a number of committees of the CIO's Council, including the Fiscal/Procurement Committee. As a result, OGS PSG works closely with representatives from the OCIO, OFT, the Division of Budget (DOB), and the CIO of every state agency and many of the larger local government agencies (e.g. counties, NYC, etc.). A number of initiatives undertaken by these groups were directly related to spend analysis, spend management, and cost reduction. **As a result, OGS was able to leverage its participation with these groups, working collaboratively to assure that these initiatives would include means to provide the information and commitments vital to the success of a centrally administered aggregated procurement program.**

### **Innovations**

The PSG has long believed that the volume of technology purchases conducted by the state offers a tremendous opportunity to reduce costs by managing the purchases (spend) in a manner that would allow leveraging combined volume to maximize price reductions. **The innovation and collaboration undertaken to address critical success factors enabled PSG to establish the Aggregated IT Procurement Program and has proven paramount to the success we have experienced. While other state and local government entities have employed one or more strategic sourcing best practices, New York is unique in its approach to develop a comprehensive program that incorporates all of the best practices required to implement a statewide centralized program that encompasses such large and diverse technology purchases. Subsequent discussions with other state procurement offices, industry advisory services and technology Vendors have confirmed the uniqueness of New York's Program.** The innovations that enabled PSG to address the issues impeding a centralized aggregated procurement program are further summarized in the following section.

**All state agencies must notify the OFT of any and all purchases of technology and technology-related materials, services or otherwise, providing such notification to OFT by means of an "Intent to Purchase Technology" form (ITP).** Notification is required for software purchases over \$20,000 and for hardware purchases over \$50,000. OFT approval is required before an agency is allowed to proceed with a purchase. The purpose of such notification is to: ensure the Office for Technology has a working knowledge of what technology is being purchased by the State; ensure the compatibility of technology acquisitions on a statewide basis; and coordinate purchases, whenever possible, among State agencies. **The objective is to coordinate purchases, whenever possible, among State agencies provides an opportunity to identify synergy of intended purchases and coordinate an aggregated purchase to leverage increased volume, yet it has seldom been exercised in a manner that realizes its full potential. PSG, working with the OFT, encouraged utilization of this review process to identify opportunities to reduce costs through aggregated purchasing.** In January of 2004 PSG was advised of a number of agencies that were interested in purchasing desktop PCs, and was asked to coordinate an aggregate purchase. **PSG initiated an aggregated purchase as a pilot project (or proof of concept).** The savings experienced as a result of this pilot are summarized in the section on Cost Reductions, and additional information is contained in the Proof of Concept Section of the Proposal to Establish an Aggregated Technology Procurement Program (pages 3-5) attached as Exhibit 1.

The CIO Fiscal/Procurement Committee established a strategic goal to develop a governance process that addressed the need for an Annual Technology Planning process that would document agency IT strategies and purchasing plans. The committee initiated development of an Annual Technology Planning Process. **OGS, through its participation on CIO Council Committees, worked to assure that the Annual Technology Plan (ATP) would provide information relevant to planned expenditures that could be analyzed (spend analysis) to identify and plan potential aggregated purchasing opportunities.** In addition, PSG encouraged the collection and processing of this information using a standard form

**(format and content) to facilitate processing and summarization of information.** The OCIO and OFT recognized the potential for cost savings and were staunch supporters of this initiative.

**In September of 2004 the DOB issued Budget Bulletin B1170, providing direction to agencies for continued cost containment and the development of savings proposals for fiscal year 2004-05 and beyond. Such plans should begin with a focus on proposals that could be implemented at the Executive's administrative discretion. The PSG seized this opportunity to develop a proposal to establish an Aggregated IT Procurement Program within OGS PSG.** Key components of the proposal included: strategic approach, budget/spending plan, spend analysis, enterprise/aggregate purchasing, fiscal recovery, and iterative performance review. **To maximize savings potential the proposal requested funding to establish a new procurement team within PSG, rather than to utilize vendors that would reap a significant percentage of the savings to "pick the low hanging fruit".** The additional cost incurred to establish this program represents a very small portion of the additional savings realized by conducting the aggregated procurements in house. The proposal was embraced by the DOB and quickly achieved both DOB and Governor's Office approval as an initiative to be funded in the next budget. A copy of the proposal is attached for reference as Exhibit 1. In December of 2004 the OCIO notified the PSG that a number of agency ITP forms had been received requesting approval to purchase a significant number of desktop PCs. While PSG had not yet had sufficient time to adequately plan or staff the Aggregated IT Procurement Team, we agreed to coordinate the purchase. Working with the CIO Technology Committee and the OCIO, PSG developed a standard configuration for 4 PCs (2 desktop PCs and 2 laptop PCS) and the associated requirements and bidding instructions for participating vendors and purchasing entities. Agencies were surveyed to establish purchase volumes based upon the configurations specified. **On February 3, 2005 the PSG initiated an aggregated PC purchase providing 4 PC manufacturers, all of whom held state contracts, with the opportunity to submit a best and final price quotation for the configurations specified. Requirements specified that the agencies would be required to purchase from the lowest price vendor, and that the OFT would not approve purchase from a higher price vendor absent a compelling business case from the agency.** A copy of the Requirements for NYS Aggregated Desktop and Notebook PC Purchase and associated PC Configuration Specification and Pricing Sheets are attached as Exhibits 2A, 2B, and 2C. The savings experienced as a result of this aggregated purchase are summarized in the section on Cost Reductions, and additional information is contained the Summary of Vendor Price Quotations and Discounts and Summary of Savings for the Spring 2005 Aggregate PC attached as Exhibits 3A and 3B.

On February 15, 2005 **the DOB issued Budget Policy H-300A establishing the Technology and Information Resource Management Planning Process.** The policy requires that by June 30 of each fiscal year, each agency shall submit to the Office of the Chief Information Officer and to the Division of the Budget a preliminary agency technology plan for the next fiscal year. The plan will be considered an essential preliminary step in the development of the agency's budget, and will be reviewed and approved in the context of development of the Governor's Executive Budget recommendations for the next fiscal year. **Consistent with PSG requests, the plans included information required to facilitate an analysis of planned technology spending that was subsequently summarized to provide recommended cost savings opportunities via aggregated IT purchasing.** A copy of the standard NYS ATP Template is provided as Exhibit 4. A copy of the summary information from the ATPs pertaining to Planned Technology Purchases is attached as Exhibit 5, and Projects and Technology Synergy Across NYS is attached as Exhibits 6.

In March 2005, **PSG completed the initial planning and staffing for the Aggregated IT Procurement Program. The team participated in the first Annual Technology Plan Review Process** with OCIO, OFT and DOB, which included analysis of agency spending plans, evaluation of the synergies in agency technology plans, and identification of near term (this FY) aggregated purchasing opportunities and longer term cost saving opportunities (next FY and beyond). **Based upon this review the team prepared a recommended aggregated IT purchasing plan which included the IT hardware, software and services that provide the opportunity for the greatest cost savings via aggregated purchasing or enterprise**

**license agreement** with aggregated discount pricing for both licenses and maintenance/support. The team is currently in the process of preparing standard bidding specifications for another PC buy and a network printer buy. They are also actively engaged in negotiating new centralized contracts or contract amendments for a Human Services Software (Curam), IT Project and Portfolio Management Software, and Technical Advisory Services (Gartner). A summary of the recommended Aggregated Buy Initiatives for the 2005-06 fiscal year is attached as Exhibit 7.

### **Cost Reductions**

Total cost reduction potential has not yet been fully realized. However, the proven success of the purchases already conducted under the Aggregated IT Procurement Program clearly establishes the cost savings potential of the program both in terms of price reduction and overall cost savings.

- **The pilot project purchase conducted in Q4 of 2004-05 involved 7 agencies, who purchased a total of 2,375 Dell PCs. The average percentage discount from state contract price (which is 10% off list) was 23%, representing an average savings of \$125 per unit, for a total savings of \$1 million off contract price.** In addition, a comparison of savings against price quotations received by 3 of the agencies just prior to the aggregated purchase showed an average savings of 13% representing a savings of \$110 per unit.
- **The Aggregated PC Purchase conducted in spring 2005 (NYS FY Q4) involved competitive quotations from 4 PC manufacturers. The purchase involved 100 state and municipal government agencies who purchased a total of 23,250 units during a 90 day period. The average discount from state contract price was 41.5%, representing an average savings of \$625 per unit for a total savings of \$14.5 million off of contract price.** In addition, a comparison of savings against price quotations received by 4 of the agencies just prior to the aggregated purchase showed an average savings ranging from 22% to 35% off of the prices previously quoted. It is also noteworthy that the original volume of units to be purchased was 7,500, which quickly grew to approximately 10,000 when the final prices were distributed. The final number of units purchased was more than 3 times the volume estimated as a result of the extremely attractive price reductions.
- **The team is currently preparing standard configuration specifications for aggregated purchase of desktop PCs and the first aggregated purchase of network printers.** Based upon the volume anticipated, **preliminary discussions with candidate Vendors indicate that significant price reductions will be realized.**
- **The team is currently negotiating a number Enterprise License agreements that combine the volume of state and local government to receive price discounts based upon aggregated volume, maintenance and support fees based upon discounted license fees, and license transferability within enterprise groups. The first 3 of these agreements are projected to save 6 to 8 million dollars.**

### **Service Improvements**

In addition to the sharply discounted pricing experienced, the program also provides a number of inherent service improvements, including: reduction of staff resources required by individual agencies to conduct individual RFQ/negotiation/purchase; improved efficiencies resulting from an information feed to agency IT asset inventory/management process via aggregated purchase/sales electronic reporting requirements; a very efficient and effective customer service oriented program initiative with measurable cost reduction potential.

### **Transferability Potential**

The opportunity exists for other states to establish a similar program encompassing a comprehensive approach to analyzing planned IT spending and coordinating aggregated purchases to leverage the full potential of combined volumes. Similarly, the approach could be utilized to facilitate cooperative purchases of select products or to leverage the purchase volume represented by existing cooperative purchasing vehicles (e.g. WSCA). In addition, the approach also lends itself to the purchase of products other than Information Technology, to the extent that the purchase volume and vendor profit margin provide opportunity for significant cost reduction.

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Supporting Exhibits**

***Aggregated IT Procurement Program***

- Exhibit 1      Proposal to Establish an Aggregated Technology Procurement Program
- Exhibit 2A     Requirements for NYS Aggregated Desktop and Notebook PC Purchase  
Exhibit 2B     PC Configuration Specification and Pricing Sheets for Desktop PCs (2)  
Exhibit 2C     PC Configuration Specification and Pricing Sheets for Notebook PCs (2)
- Exhibit 3A     Summary of Vendor Price Quotations and Discounts – Spring 2005 PC Purchase  
Exhibit 3B     Summary of Savings - Spring 2005 Aggregate PC Purchase
- Exhibit 4      NYS Annual Technology Plan Template
- Exhibit 5      Summary of Planned Technology Purchases - 2005-06 Annual Technology Plans
- Exhibit 6      Summary of Projects and Technology Synergy Across NYS Agencies
- Exhibit 7      OGS PSG List of Recommended Aggregate Buy Initiatives for FY 2005-06