

COMMONWEALTH COMPETITION COUNCIL

2005 ANNUAL REPORT
TO THE
GOVERNOR,
GENERAL ASSEMBLY, AND
SMALL BUSINESS COMMISSION



DECEMBER 1, 2005

CURRENT MEMBERS

COMMONWEALTH COMPETITION COUNCIL

CHAIRMAN

2005-2006 FISCAL YEAR
elected from the membership

The Honorable Emmett W. Hanger, Jr.
Member, Senate of Virginia
term concurrent with Senate term

VICE-CHAIRMAN

2005-2006 FISCAL YEAR
elected from the membership

Edgardo Marquez
Mark Bric, Inc.
term ending June 30, 2007

REMAINING MEMBERS

IN ORDER OF TERM

CONCURRENT WITH LEGISLATIVE TERM

The Honorable J. Brandon Bell, II
Member, Senate of Virginia

The Honorable Allen L. Louderback
Member, Virginia House of Delegates

The Honorable Thomas D. Rust
Member, Virginia House of Delegates

TERM ENDING JUNE 30, 2006

The Honorable Sandra D. Bowen
Secretary of Administration

Barry R. Green
Director
Department of Juvenile Justice

Marian M. Pegram
Principal
Pegram Development Company, LLC

TERM ENDING JUNE 30, 2007

Lana Ingram Digges
Virginia Semiconductor, Inc.
Member of the Small Business Commission

Roger Ortega
OCS of Virginia, Inc.

Ronald V. Shickle
The West End Group of Investors, LLC
Member of the Small Business Commission

David M. Zobel, Esq.
Huff Poole & Mahoney

TERM ENDING JUNE 30, 2008

David A. Von Moll
State Comptroller
Department of Accounts

Beverly B. Davis
Chief Operating Officer
Davis Brothers Construction Company, Inc.

Sara Redding Wilson
Director
Department of Human Resource Management

TABLE OF CONTENTS

2005 Report 4

Commercial Activities Inventory..... 5

Strategic Planning 6

State Jobs Eliminated Due to Privatization..... 6

APPENDICES

Appendix A Legislative citations affecting the Commonwealth Competition Council 7

Appendix B Contact Information 8

2005 Report

In 2005 the Commonwealth Competition Council has been in existence for ten years, being established by the Virginia Government Competition Act of 1995 to examine and promote methods of providing a portion or all of select government-provided or government-produced programs through the private sector by a competitive contracting program. The Council has developed an institutional framework for a statewide competitive program to encourage innovation and competition within state government.

Emphasis this year has been on the commercial activities inventory required by House Bill 1043 (2004) and House Bill 2844 (2005). This legislation established the process wherein the Governor will biennially conduct an enterprise-wide examination of the commercial activities that are being performed by state employees to ensure that these activities are being accomplished in a most cost-efficient and effective manner. The examination is to consider at least three commercial activities as the Governor may identify. The Secretary of Administration is required to report on the initial examination to the Governor and the Chairs of Appropriations and Senate Finance by October 1, and thereafter every two years. In addition, the bill provides for the Secretaries of Administration, Finance and Technology to develop a methodology for updating the list of commercial activities established by the Commonwealth Competition Council and to provide guidance to state agencies in defining inherently governmental activities. The Competition Council staff has worked extensively with the Secretary of Administration in the regard. The report on the commercial activities inventory was filed appropriately and with the Division of Legislative Automated Systems. It is available on the Internet at <http://leg2.state.va.us/dls/h&sdocs.nsf/Published+by+Year?OpenForm&StartKey=2006&ExpandView> and is identified as Report Document 170 in 2005. Because of the size of the report it is not repeated in this annual report.

The use of different accounting systems often hampers comparisons between public and private service provision. One of the biggest obstacles to conducting a reliable, fair, and effective analysis of government initiatives has been developing a user-friendly methodology for an apples-to-apples comparison of government and private industry. To combat this obstacle, several years ago the Competition Council created a PC-based cost comparison program called "COMPETE." It computes the full cost of a government activity and provides a unit cost that can then be compared with business costs for the same unit. The Council continues to train state government personnel on this award winning program.

As Virginia prepared for the 21st century, practicality dictated the development of more productive but less costly government operations. Decision support tools were needed to assist management in their quest for increased productivity and cost-effective performance. A compelling need for change in Virginia government was also rooted in the reality that recent growth of government required extraordinary management.

Providing value to the customer – the taxpaying citizen of Virginia – was the driving force behind the creation of the Commonwealth Competition Council in 1995. Value is made up of three components: (1) full price or cost of the function, (2) quality and quantity of the function, and (3) desired level of customer service satisfaction. Innovation, continuity, and training are key elements of the processes advocated by the Competition Council. Competition is a tool to get continuous improvement and cost savings. It also eliminates obsolete processes and redundant layers of bureaucracy.

The Council continues to provide a variety of decision support tools for government managers as well as a transparent process affording both the public and private sectors the required degree of neutrality. A complete suite of decision support tools for government managers is available on the Competition Council website at <http://www.egovcompetition.com>. The detailed "how to" information in the eGOV

toolkit empowers managers and employees at all levels to define, measure, analyze, improve, and control their operations.

During 2005 the Council undertook a review of the following:

- Debt collection
- Vehicle Registration Process
- Boat and Watercraft Registration/Titling Process
- Transportation Long Range Plan
- Commercial activities inventory for State Government
- Workforce Planning (state government demographics)
- Property and Casualty Insurance Leveraging with Other States
- Capitol Gift Shop
- Public vs. Private Prisons
- Cell Phone Usage vs. types of state contracts

State agencies and institutions continue to follow the Governor's direction and guidance in carrying out their missions in an efficient and effective manner. The Commonwealth Competition Council assists state government officials in this important initiative. The Council is fortunate that its 15 members form a unique collaboration of legislators, executive branch leaders, and business leaders from the private sector, including two members who serve on the Small Business Commission. After a decade of service to state government, the Commonwealth Competition Council continues to assist state agencies and institutions as Virginia remains a leader in efficient and effective government. See Appendix A for legislative citations.

During the last year, the Council has continued to provide guidance and direction to not only Virginia state agencies and institutions, but many other states seeking advice and counsel in privatization and outsourcing issues. Virginia, through the Commonwealth Competition Council, is constantly called upon by other states seeking ways in which to make their governments more efficient and effective. Among the states interested during 2005 in the Commonwealth Competition Council processes are Florida, Kentucky, Minnesota, Colorado, Arkansas, Michigan and Hawaii.

Also, the staff participated in discussions with a Canadian reporter interested in outsourcing and the commercial activities inventory and a Japanese delegation interested in public-private partnerships, licensing of professional occupations, and private prisons. Governing Magazine has contacted the staff concerning a future article on the successes of the Competition Council over its ten year history.

One of the guiding principles of the Council is to encourage state government leaders to be innovative in the manner in which services are delivered. While much has been accomplished, there is much still to be done. The Commonwealth Competition Council continues to provide assistance to state agencies and institutions as it carries out its mission to serve as a catalyst for change to help state government work better, cost less, and get the results Virginia citizens expect in the 21st century. Effective government benefits all citizens of the Commonwealth and provides value for their tax dollars. The citizens, government employees, and businesses are all direct beneficiaries of the Commonwealth Competition Council's innovations and programs.

Commercial Activities Inventory

Significant attention was given by the General Assembly during the 2004 and 2005 sessions of the General Assembly to the activities of state government. House Bill 1043 (2004) and House Bill 2844

(2005) were approved by both houses of the legislature and signed into law by the Governor. These two pieces of legislation created the Competitive Government Act, calling for the Governor to conduct an examination of the commercial activities being performed by state employees to ensure the activities are being accomplished in the most cost-efficient and effective manner. The examination is to be completed at least once in every two-year period and may be conducted entirely by a commercial source through a solicitation process as provided in the Virginia Public Procurement Act or the Public-Private Education Facilities and Infrastructure Act of 2002. This examination is to consider at least three commercial activities as the Governor or the commercial source may identify.

The Secretary of Administration, in consultation with the Secretary of Finance and the Secretary of Technology, reported on the initial examination to the Governor, the chairs of the House Committee on Appropriations and the Senate Committee on Finance. The staff of the Competition Council worked extensively with the Secretary of Administration in preparing this 2005 inventory. Thereafter, once in each biennium, the examination of commercial activities not already examined in the preceding report is to be reported in the same manner no later than October 1 of the second year of each biennium.

Strategic Planning

The Commonwealth Competition Council is in the process of working on the projects identified during its strategic plan for the 2005 year. Of 23 potential projects, the Council has voted to gather additional information on the following:

- 1 Processes utilized by Department of Motor Vehicles on vehicle registration and the Department of Game and Inland Fisheries on boat and other watercraft registration (possible use of constitutional officers)
- 2 Cost and efficiencies of public vs. private prisons (both construction and operation)
- 3 Property and Casualty insurance stop loss (develop a cooperative with three-to-five non-contiguous states to get bids from insurance companies to provide property insurance coverage for those states)
- 4 Debt collection (match pursuit, possible use of constitutional officers)
- 5 Transportation (long-term transportation needs, project allocation, mass transit options)

State Jobs Eliminated Due to Privatization

The Secretary of Administration reported to the Governor and the General Assembly that for the fiscal year ending June 30, 2005, no state jobs were eliminated due to the privatization of commercial activities to a commercial source. This was the first report pursuant to House Bill 2557 (2005) and signed into law as Chapter 476 of the 2005 Acts of Assembly. This annual report is due November 30 of each year pursuant to Section 2.2-203.2:1 of the Code of Virginia.

**CODE OF VIRGINIA
LEGISLATION ON THE COMMONWEALTH COMPETITION COUNCIL**

§ 2.2-2620 through 2.2-2625

§ 2.2-2101

§ 2.2-5512 through 2.2-5513 - Competitive Government Act

APPROPRIATION ACT

Chapter 951 of the 2005 Virginia Acts of Assembly, Appropriation Act, Item 283, D1 – D3

CONTACT INFORMATION

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