

# COMMONWEALTH COMPETITION COUNCIL

2004 ANNUAL REPORT  
TO THE  
GOVERNOR,  
GENERAL ASSEMBLY, AND  
SMALL BUSINESS COMMISSION



DECEMBER 1, 2004

# **CURRENT MEMBERS**

## **COMMONWEALTH COMPETITION COUNCIL**

### **CHAIRMAN**

**2004-2005 FISCAL YEAR**  
elected from the membership

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

### **VICE-CHAIRMAN**

**2004-2005 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  
*Deputy Secretary of Public Safety*

Marian M. Pegram  
*Thompson, Cobb, Bazilio & Associates PC*

#### **TERM ENDING JUNE 30, 2005**

Richard D. Brown  
*Director*  
*Department of Planning and Budget*

Beverly B. Davis  
*Davis Brothers Construction Company, Inc.*

Sara Redding Wilson  
*Director*  
*Department of Human Resource Management*

#### **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*

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# PREFACE

The Commonwealth Competition Council was 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.

As state and local governments struggle to provide services to an ever-demanding public with inadequate financial resources, continuous improvement, outsourcing, and privatization of government functions are becoming increasingly necessary. Taxpayers expect their government to deliver products and services commensurate, at least in their own minds, with what they pay in taxes. The problem is how to pay for these services without breaking the bank or raising taxes.

Many government positions mirror private sector jobs, or in government jargon “commercial” activities, such as payroll, check preparation, etc. HB1043 (2004) requires the Governor to 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 to report on the initial examination to the Governor and the Chairs of Appropriations and Senate Finance by January 1, 2006, 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 outsourcing efforts. The Competition Council staff has worked extensively with the Secretary of Administration in the regard. The plan is on target for the 2006 reporting date and calls for an Internet-based survey that maximizes the use of technology and existing databases.

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.

As Virginia prepared for the 21<sup>st</sup> 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: full price or cost of the function, quality and quantity of the function, and 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 provides 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 2004 the Council undertook a review of the following:

- Debt collection
- Telecommunications audit
- Change in the color of vehicles
- Employee suggestion program
- Commercial activities inventory
- Authorities in Virginia

A brief synopsis follows on the outcome of these six topics.

State agencies and institutions continue to follow the Governor’s direction and guidance on 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 almost a decade of service to state government, Virginia continues to be 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. 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. State agencies have seen their budgets and staffs reduced. This results in government officials becoming more efficient and effective in the delivery of their services. Many services have been streamlined, and some eliminated as not being perceived as a core function of government.

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 21<sup>st</sup> 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.

## Commonwealth Competition Council Funding

The Commonwealth Competition Council has always been minimally staffed, with the employment level never exceeding three full time equivalent (FTE) positions. When the Deputy Director retired in 2000 and the Executive Director retired in 2003, the Council did not fill these positions due to changing funding requirements. The remaining staff of one, as Acting Executive Director, has continued to provide guidance to state agencies and institutions, as well as local governments and other state governments, in privatization or outsourcing issues. Virginia puts the forces of competition to work in state government by providing the tools to determine the best, most cost effective means of delivering public services. When the Council was created in 1995, the General Assembly and Governor approved it as a general fund entity. Beginning with the 2003 fiscal year, the Council was converted to a special fund agency, with the revenue coming from a percentage of savings from recommendations made two years earlier. This proved challenging since any savings realized from recommendations of the Council were absorbed into the state budget when the Appropriation Act was approved.

This funding concept was changed during the 2004 session when language in the 2005 Appropriation Act was enacted placing the Council staffing and operational support under the Department of Planning and Budget. See Appendix B. This action also created on the books of the Comptroller a special, non-reverting fund known as the Commonwealth Competition Council Savings Recovery Fund. This Fund provides a nongeneral fund appropriation of \$250,000 each year for use by the Department of Planning and Budget in defraying the costs of providing staff and operational support to the Council.

### **Approved Annual Process as stipulated in the Appropriation Act**

April 1            Director of the Department of Planning and Budget notifies the Auditor of Public Accounts (APA) of any savings recommendations put forth by the Commonwealth Competition Council for which savings are likely to be realized in the current fiscal year or in the fiscal year beginning on the next July 1 after the notification.

APA audits the implementation of these savings recommendations

June 1            APA certifies to the State Comptroller the total savings realized by state agencies and institutions as a result of the savings recommendations put forth by the Council.

July 1            State Comptroller transfers 10 percent of these certified savings to the Commonwealth Competition Council Savings Recovery Fund for support of the council's operations.

However, if these savings have since accrued to the benefit of the general fund, either by subsequent budgetary action or by reversion, following the certification of the savings by the APA, the State Comptroller will transfer the equivalent of 10 percent of the affected certified savings from the general fund to the Commonwealth Competition Council Savings Recovery Fund. These transfers cannot exceed \$500,000 in any one fiscal year.

The Council is pleased with the working relationship established with the Department of Planning and Budget. In the first six months of operation, it has proven to be beneficial while resulting in cost savings and efficiencies.

## **Projects Undertaken during 2004**

Following is a recap of the projects undertaken by the Commonwealth Competition Council during 2004:

### **Debt Collection**

Chapter 48 of the Code of Virginia requires the Department of Accounts, together with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. According to the State Comptroller, state agencies and institutions reported total gross receivables of \$2.7 billion as of June 30, 2004, with \$1.2 billion considered collectible. Receivables over 90 days past due as of this date totaled \$1.3 billion. Of that amount, \$528 million was placed with collection agencies or attorneys for additional collection efforts, another \$409 million was with the Department of Taxation's field agents and in-house collectors, and \$216 million was with the state court clerks and Commonwealth's Attorneys.

State receivables consist largely of taxes, fines, penalties, tuition and fees, and billings for several indigent care programs that present numerous special problems in collection. The specific details on the state's accounts receivables can be found in the September 30, 2004, Quarterly Report issued by the Department of Accounts.

The Council became interested in debt collection several years ago because it was an area where a combination of public-private partnerships and state employees were being utilized to collect this debt. Previously the Attorney General's Division of Debt Collection was limited in its ability to contract with the private sector collection agents for the collection of debts amounting to less than \$1,000. The Council saw the need to seek legislation to increase this limit.

House Bill 1037 (2004) unanimously passed both houses of the General Assembly and was signed into law by the Governor. This legislation codified the language in Item 53 of the Appropriation Act authorizing the Division of Debt Collection to retain as special revenue up to 30 percent of receivables collected on behalf of state agencies and to contract with private collection agents for the collection of debts amounting to less than \$15,000. This legislation also provided a procedure for the collection of accounts receivable of \$3,000 or more that are 60 days or more in arrears.

This change in legislation greatly enhanced the efficiency and effectiveness of the Division of Debt Collection. Previously that division was limited in its ability to contract with the private sector collection agents for the collection of debts amounting to less than \$1,000. This legislation directly related to a recommendation of the Commonwealth Competition Council.

### **Telecommunications Audit**

The Commonwealth Competition Council worked with the Virginia Information Technologies Agency (VITA) and its predecessor on a voice telecommunications audit contract. This audit was a recommendation of the Council some two-to-three years ago, and its purpose was to reduce agency expenditures, update inventories, identify billing errors, and propose future savings. Possible findings included telecommunication vendor errors, VITA billing errors, and customer errors (such as failure to disconnect unused equipment or services). VITA received eight responses through the invitation for bid process. The audit was for voice circuits only, no data lines as VITA reported there were over 100,000 voice and 78,000 Centrex lines throughout the Commonwealth. The audit required that each circuit be

physically touched, and the operation, features and functions of each would be verified. The contractor would then compare each physical circuit to the billing inventory. The winning contractor was Asyncrob Corporation, a minority-owned firm located in Fairfax County.

Because of the labor intensiveness of the audit, VITA elected to use a pilot program to determine the viability of dissemination of the contract statewide. The three agencies selected for the pilot were the Virginia Department of Transportation (large agency category), the Department of Forestry (medium agency), and the Department of Aviation in the small agency category. The pilots began on January 12, 2004, and if justifiable savings were discovered through these audits, the contract would be expanded to all in-scope agencies.

The billing arrangement for this contract called for the contractor to receive 16.85 percent of reimbursement on billing errors and future savings on recommendations the company makes to the state agency that are implemented (for a maximum of 90 days). If no errors were found and no reimbursements, there would be no payment to the contractor. The contractor was to be paid solely from past billing error reimbursements or future savings. Inasmuch as the contractor is paid after the agency receives any credits, there was no out-of-pocket expenses to state agencies.

The pilot was completed, encompassing the Department of Aviation, Department of Forestry (headquarters office and the one regional office in Charlottesville), and Department of Transportation (central office). The contractor verified over 2,000 lines, circuits, pagers and cell phones at ten different locations. Discrepancies were found in 3 percent of the circuits and devices checked. The reported results of the audit revealed:

**Department of Aviation**

27 lines and 7 circuits verified. One discrepancy.  
13 pagers and 20 cell phones verified. No discrepancies  
Annualized savings: \$375.84

**Department of Forestry**

150 lines checked. No discrepancies  
No savings realized on what was checked.

**Department of Transportation**

1,997 lines and circuits verified. 65 discrepancies  
214 cell phones called, 159 responses. 5 discrepancies  
210 pagers called, 131 responses. 23 discrepancies  
Annualized savings: \$18,661.92 for lines and pagers

Please note that at the filing of this annual report, these agencies are still in review and verification of the findings of the contractor. As such, until the findings are verified, no follow up has occurred with the agencies and no payments have been made to the contractor based on recommendations implemented.

Recommendations from the contractor:

Department of Aviation – data traffic via the DSLs in use. A fractional T1 recommended to support their data traffic and to increase their up time.

Department of Transportation - There is redundancy with about 20% of employees possessing both pagers and cell phones. Initially coverage could have been a factor with the wide areas some employees cover. This type of redundancy is not needed. The cell phone can act as a pager as



well. Given the competitiveness of the wireless industry, the Commonwealth's wireless carrier should be able to accommodate the Commonwealth's requirements.

The contractor reported that implementation of its future savings program should enable VITA to realize a two percent savings of its total telecom billing. VITA's \$13 million annualized billing would realize a savings of potentially a conservative amount of \$260,000.

### **Subsequent Actions by VITA**

In October 2004, the Chief Information Officer (CIO) wrote all agency heads encouraging them to spend telecommunication dollars more effectively. See Appendix C. He announced that VITA created a Web-based tool that makes it possible for an agency to assess its current cellular phone plan that previously may have been impossible or impractical to do on its own. He reported that the Department of Motor Vehicles piloted the Web Cellular Tool, resulting in a 50 percent cellular cost reduction for that agency.

A second identified area of potential telecommunications savings related to cell phones and pagers. The CIO cited a study (Asyncrob Corporation) completed at one agency showing a 20 percent overlap of employees who had both agency-assigned pagers and cell phones. Some overlap he said may be necessary because of a lack of coverage at a user's residence, work coverage, etc. He encouraged agencies to carefully check their distribution lists to determine that instances of overlap are justified.

He stated the same study showed that when cell phones and pagers were accessed multiple times over a three-week period (leaving voice mail messages or pages), between 25-35 percent of the cell phone/pager owners did not return the messages/pages. He encouraged agencies to look at the distribution of the phones/pagers and determine the true need and allocation of these assets. Agencies should conduct their own audits in-house. If the phones/pagers are not turned on and/or are not being used, money could be saved by turning this equipment in and canceling the leases. Not all agencies have emergency service type activities as part of their mission, and some agencies are saving money by keeping a pool of cell phones and assigning them on a temporary, as-needed basis (such as when employees are traveling, special circumstances, etc.).

Agencies were requested by the CIO to continually review their wireless needs as an opportunity to save money by:

- reviewing cell phone bills to determine if phones are being used appropriately
- using the on-line Web Cellular Tool and the monthly report to determine if a different contract/calling plan would be more economical
- reviewing overlapping allocation of pagers and cell phones
- regularly auditing (biannually, quarterly, etc.) all cell phones/pagers by calling/paging and leaving messages/pages to determine if they are in use and recalling the unit if it is not being used

This particular project, the telecommunications audit, is an example of the length of time it takes to convince an agency to understand and undertake a recommendation or idea of the Commonwealth Competition Council and to work the process of state government to get a project underway. This is also an excellent example of how an agency can benefit from a recommendation of the Commonwealth Competition Council, take ownership of recommendations made, and advise all state agencies and institutions of ways to enhance operational efficiency and effectiveness. VITA and the CIO of the Commonwealth are to be commended for their actions.

## Change in the color of vehicles

The Virginia Department of Transportation has kept the Commonwealth Competition Council up to date on their efficiency in government initiative of changing the color of VDOT vehicles. In changing the color specified for the purchase of VDOT vehicles from VDOT orange to white, savings have accrued to benefit that agency. Further, VDOT has adopted the standardized equipment colors. The evolution of the colors was reported as:

Timeframe	VDOT equipment color	\$ per gallon	Est. # gallons purchased/year	Cost per year
1930s-1950s	Military gray			
early 1960s	VDOT orange	\$149.00*	400	\$59,600
2003	White	\$134.00*	400	<u>\$53,600</u>

Savings per year on purchase of white paint \$ 6,000

\*does not include labor

Appendix D reflects the annual savings on specifying the color white on VDOT vehicles. Officials at VDOT have reported that \$160,426 was saved during the 2003 fiscal year on specifying white paint on 608 vehicles and \$18,701 was saved during the 2004 fiscal year on specifying white paint on 206 vehicles. It was further estimated there was a nine percent savings per gallon in the white vs. orange paint.

It was further reported that the white trucks and agricultural colors bring higher resale value. The example cited by the Director of the Bureau of Supply and Asset Management of the Department of General Services at a recent equipment auction or sale was a 1994 white 4x4 pickup with 205,000 miles sold for \$5,700. A 1994 orange 4x4 pickup with 207,000 miles sold for \$4,700.

This idea is the direct result of a recommendation of Delegate Allen Louderback as one of the legislative members of the Commonwealth Competition Council.

VDOT management is commended for taking the action necessary to implement this recommendation, thus achieving more savings for the agency.

## Employee Suggestion Program

The Commonwealth Competition Council has been a long time supporter of the employee suggestion program (ESP) for state employees. The program was re-centralized in the Department of Human Resource Management (DHRM) in 2003. Delegate Louderback was patron of HB1214 in 2002 for the centralization of the ESP and the review by private sector individuals when an employee's suggestion was not approved. This bill was signed into law by the Governor and can be found as Chapter 780, 2002 Acts of Assembly.

The ESP program provides employees with an opportunity to be rewarded for innovative and creative ideas for improving state government. All full-time, part-time or wage/hourly employees may submit suggestions, and their anonymity is preserved for unbiased review. Eligible suggestions remain valid for one year from submission, may be made by employees individually or as a group, should propose practical improvements to some part of state government and be submitted timely, specifying recommended improvements including how they can be made. Suggestions not eligible are those that

concern matters within the employee's authority or responsibility to implement, are matters under consideration, deal with personal grievances or complaints, and involve policies or procedures not followed or not applied properly.

Trends reflect that the number of suggestions had declined since the program was decentralized in 1994 as shown in Appendix E. Since 1994, the Department of Human Resource Management reports 3,106 suggestions have been submitted, with 637 deemed eligible:

	Number of employees
Receiving cash	127
Leave	278
Certificate only	<u>232</u>
	<u>637</u>

Estimated savings to the Commonwealth from employee suggestions over this 10 year period are \$1.063 million.

This again is a result of the Commonwealth Competition Council realizing that a change in the manner in which a long-term program is administered can benefit state government and its employees as well. Employees continue to be a valuable resource in restructuring the way an agency delivers its services. The Council commends DHRM for its efforts in this regard with no additional personnel.

### **Commercial Activities Inventory**

Significant attention was given by the General Assembly during the 2004 session of the General Assembly to the activities of state government. House Bill 1043, patroned by Delegate Christopher Saxman, was approved by both houses of the legislature and signed into law by the Governor. It can be found at Chapter 994 of the Acts of Assembly. See Appendix A for the legislative citation.

This legislation created the Competitive Government Act. It calls 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, will report no later than January 1, 2006, on the initial examination to the Governor, the chairs of the House Committee on Appropriations and the Senate Committee on Finance, and such others as the Governor may designate. 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 January 1 of the second year of each biennium.

The staff of the Commonwealth Competition Council has worked extensively with the Secretary of Administration and her staff in developing a methodology for updating the inventory of commercial activities previously developed by the Council. The plan has been established and is underway to meet the requirements of this legislation. It calls for an Internet-based survey that maximizes the use of technology and existing databases.

## **Authorities in Virginia**

Senate Joint Resolution 382, approved by the 2001 General Assembly, requested the Commonwealth Competition Council, in cooperation with certain agencies and institutions, to prepare a plan for the development of a statewide database of nonprofit and not-for-profit entities that could be accessed via the Internet. The Council concluded that Authorities should and need to be included in the plan. Thus the Council recommended that a survey be undertaken of all counties, cities, and towns of Virginia to ascertain the Authorities serving their localities. The objective of the scope of this plan was to identify, describe, catalogue, and report on the role, scope and function of Authorities in Virginia. The initial investigation demonstrated that legislative and executive oversight of these entities should be enhanced for the purposes of identifying how they function within the context of one of the ten mission points of the Council:

[to] review the practices of government agencies and nonprofit organizations that may constitute inappropriate competition with private enterprise. The Council shall develop proposals for (i) preserving the traditional role of private enterprise; (ii) encouraging the expansion of existing, and the creation of new, private enterprise; and (iii) monitoring inappropriate competition by nonprofit organizations. Section 2.2-2662 (10) of the Code of Virginia.

The list of Authorities has expanded from 433 identified at the beginning of the SJR 219 study to 617 at this point in time. Several localities have not responded yet to the survey.

Prior to 2001, there was legislation requiring Authorities to register annually with the Secretary of the Commonwealth, with that report reflecting the Authorities' indebtedness. Beyond that minimum requirement, it was ascertained that the Commonwealth Competition Council was the first entity to review those reports. Accordingly, it is not known if all Authorities complied with the reporting requirements. However, legislation was enacted by the 2001 General Assembly deleting this reporting requirement.

The Council concluded that Authorities and Special Districts can represent a potential challenge to private sector competition. In some instances they might inhibit efficient leveraging of private sector assets, both as to the services provided and their ability to compete without the burden of taxation.

A database on Authorities and Special Districts available on the Internet could be used to inform legislative and executive decision makers of the impact these quasi-governmental entities have that perform governmental or proprietary functions. This information could then be used to assess the scope and nature of any competition with private sector entities.

The full database on the 617 Authorities in Virginia resides in the office of the Commonwealth Competition Council. That data is in the process of being uploaded to the Council's web site at <http://www.egovcompetition.com>. Former vice chair of the Council, Dr. Earl H. McClenney, Jr., and interns from his Public Administration Department at Virginia State University, are commended for their tireless efforts in this project.

## **Other issues studied by the Commonwealth Competition Council during 2004 dealt with:**

- Use of the Virginia Distribution Center
- Prison commissary process/outcomes
- Capitol Gift Shop
- Privatization Actions included in the 2004-2006 introduced budget
- Efficiencies in government initiative approved during the veto session

## **Strategic Planning**

The Commonwealth Competition Council is in the process of approving 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)

## **2003 Better Government Competition Award winning recipient in the Effective Public Management category**

The Commonwealth Competition Council was privileged to be the recipient of the 2003 Better Government Competition award issued by the Pioneer Institute for Public Policy Research. The \$3,000 award was in the category Effective Public Management.

Pioneer Institute is a Massachusetts-based independent, non-partisan, privately funded research organization in public policy issues. The Institute believes that individual freedom and responsibility, limited and accountable government, and the expanded application of free-market principles to public policy contribute to greater human dignity, happiness, and economic prosperity. The annual competition is open to all states in the nation.

In announcing the winner, it was written that Virginia's Commonwealth Competition Council provides a comprehensive system for identifying opportunities to privatize public service delivery in that state. Virginia puts the forces of competition to work in state government by providing the tools to determine the best, most cost-effective means of delivering public services. The council's website at <http://www.egovcompetition.com> provides a suite of decision support tools to help government managers

define, measure, analyze, and improve their operations. The Council's PC-based cost comparison program, COMPETE, permits state agencies and institutions to develop fully allocated costs, compare alternative business proposals, and set benchmarks to measure contract performance. The COMPETE program is under a copyright to the Commonwealth Competition Council and is available for use only by any Virginia agency or institution. It also can be made available to local governments in Virginia for a nominal fee.

The \$3,000 award was deposited into the State treasury for use by the Commonwealth Competition Council to continue its Code mandated mission.

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

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**§ 2.2-2620 through 2.2-2625**

**§ 2.2-2101**

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

**APPROPRIATION ACT  
2004 VIRGINIA ACTS OF ASSEMBLY  
SPECIAL SESSION I  
CHAPTER 4  
APPROVED JUNE 25, 2004**

**§ 1-82. DEPARTMENT OF PLANNING AND BUDGET (122)**

Item 283

D.1. The Department of Planning and Budget shall provide staffing and operational support to the Commonwealth Competition Council. Other state agencies and institutions of the Commonwealth shall also assist the Commonwealth Competition Council in its work upon the request of the chairman of the Council.

2. There is hereby created upon the books of the Comptroller a special, nonreverting fund known as the Commonwealth Competition Council Savings Recovery Fund. This Fund shall provide a nongeneral fund appropriation of \$250,000 each year for use by the Department of Planning and Budget in defraying the costs of providing staff and operational support to the council.

3. Prior to April 1 each year, the Director of the Department of Planning and Budget shall notify the Auditor of Public Accounts of any savings recommendations put forth by the Commonwealth Competition Council for which savings are likely to be realized in the current fiscal year or in the fiscal year beginning on the next July 1 after such notification. The Auditor of Public Accounts shall audit the implementation of these savings recommendations and shall certify to the State Comptroller by June 1 each year the total savings realized by state agencies and institutions as a result of the savings recommendations put forth by the Commonwealth Competition Council. By July 1 each year, the State Comptroller shall transfer 10 percent of these certified savings to the Commonwealth Competition Council Savings Recovery Fund for support of the council's operations. However, if these savings have since accrued to the benefit of the general fund, either by subsequent budgetary action or by reversion, then following the certification of the savings by the Auditor of Public Accounts, the State Comptroller shall transfer the equivalent of 10 percent of the affected certified savings from the general fund to the Commonwealth Competition Council Savings Recovery Fund pursuant to these provisions shall not exceed \$500,000 in any one fiscal year.





Lemuel C. Stewart, Jr.  
 CIO of the Commonwealth  
 Email: Lem.Stewart@vita.virginia.gov

## COMMONWEALTH of VIRGINIA

### *Virginia Information Technologies Agency*

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 RICHMOND, VIRGINIA 23219  
 (804) 371-5000

**TDD VOICE -TEL.  
 NO.  
 711**

October 4, 2004

To All Agencies Heads

Dear Colleagues,

Over the past year, Governor Warner has tasked state agencies with enhancing operational efficiency. One way to accomplish this objective is to spend telecommunication dollars more effectively. To assist with this effort, VITA has created a Web-based tool that makes it possible—even easy—for your agency to make an assessment of its current cellular phone plan that otherwise would have been impossible or impractical to do on its own. The Web Cellular Tool analyzes a customer's cellular calling pattern, and provides recommendations for switching to the most efficient and cost-effective Alltel Cellular Service plan that best meets your specific business needs.

The Department of Motor Vehicles (DMV) piloted the Web Cellular Tool in 2003 to validate expected cost savings, resulting in a 50 percent cellular cost reduction for DMV. Currently, the Commonwealth spends \$316,889 on cell phones monthly. It is estimated that through the use of the Web Cellular Tool and subsequent switching of agency cellular phone plans to optimized service plans on state contract, Virginia's monthly cellular cost could be reduced to \$201,851 – a 36% cost savings. This could result in an annualized savings of \$1.38M for the Commonwealth.

Converting phones to a new contract or a new plan does not disrupt usage or change the phone number. Further, converting to a new plan does not necessarily require the purchase of a new phone—in most cases, the existing phone will work on the new plan if it is digital or tri-mode.

Agencies are being asked to review monthly cell phone bills using the Web Cellular Tool, [http://www.vita.virginia.gov/services/voiceServices/cell\\_logon/](http://www.vita.virginia.gov/services/voiceServices/cell_logon/), and follow the recommendations for cost savings. If your Telecommunications Coordinator does not have a logon to access the Web Tool, they can request one using the Web Tool link above.

Forms for converting to different contracts or plans are located at <http://www.vita.virginia.gov/misforms/forms/TSRv2.cfm> (to submit online) and <http://www.vita.virginia.gov/docs/forms/TSRform.pdf> (print and fax).

To further assist you, VITA posted a cellular report for your agency to the Cellular Tool Web site. The report shows the average cost of your agency's ALLTEL cell phones, as well as the number of cellular phones, by month for 2003 and 2004. The Plan Changes indicate how many cell phones were converted to new plans during the reporting period. The Current Savings compares the average monthly cellular phone cost for 2003 to 2004. The Projected Savings is computed from the difference between the

recommendations from the Web Tool and the current monthly cost of your cellular phones.

So we can provide you with continuing updates on potential cost savings, this report will be available online through the Cellular Tool Web site monthly. If you or your Telecommunications Coordinator have questions or need assistance, please call the VITA Customer Care Center (VCCC) at (804) 786-3932 or (800) 533-1659. Or you may e-mail the VCCC at [vcce@vita.virginia.gov](mailto:vcce@vita.virginia.gov).

A second identified area of potential telecommunications savings relates to cell phones and pagers. A study completed at one agency showed a 20% overlap of employees who had both agency-assigned pagers and cell phones. Some overlap may be necessary because of a lack of coverage at a user's residence, work coverage area, etc. Agencies should carefully check their distribution lists to determine that instances of overlap are justified.

The same study showed that when cell phones and pagers were accessed multiple times over a three week period (leaving voice mail messages or pages), between 25% and 35% of the cell phone/pager owners did not return the messages/pages. Agencies need to look at the distribution of the phones/pagers and determine the true need and allocation of these assets. Agencies should conduct their own audits in-house. If the phones/pagers are not turned on and/or are not being used, money could be saved by turning this equipment in and canceling the leases. Not all agencies have emergency service type activities as part of their mission, and some agencies are saving money by keeping a pool of cell phones and assigning them on a temporary, as-needed basis (i.e., when employees are traveling, special circumstances, etc.).

In summary, agencies are requested to continually review their wireless needs as an opportunity to save money by:

- Reviewing cell phone bills to determine if phones are being used appropriately;
- Using the on-line Web Cellular Tool and the monthly report to determine if a different contract/calling plan would be more economical;
- Reviewing overlapping allocation of pagers and cell phones; and
- Regularly auditing (biannually, quarterly, etc.) all cell phones/pagers by calling/paging and leaving messages/pages to determine if they are in use and recall the unit if it is not being used.

VITA, as always, is available to assist you in implementing any of these suggestions.

Sincerely,



Lemuel C. Stewart, Jr.

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## Virginia Department of Transportation

### EQUIPMENT PURCHASES FROM JULY 2002 - JUNE 2003

### EQUIPMENT PURCHASES FROM JULY 2003 - JUNE 2004

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CLASS	QUANTITY	SAVINGS	QUANTITY	SAVINGS
Light Duty Trucks	285	\$40,719	206	\$18,701
Medium Duty Trucks	143	\$20,875		
Heavy Duty Trucks	46	\$8,952		
Agricultural Style Tractors	116	\$88,080		
Miscellaneous	18	<u>\$1,800</u>		
<b>2002-2003 SAVINGS</b>		<b>\$160,426</b>		
<b>2003-2004 SAVINGS</b>				<b>\$18,701</b>

Please be aware that VDOT has not purchased the normal volumes of equipment because of budget reductions. Also, it is important to notice that these savings are estimates from manufacturers. Since VDOT only specifies white paint (or the manufacturers' standard colors for off-road equipment), the purchase orders do not specify a price difference for the paint.

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Source: Asset Management Division of the Virginia Department of Transportation

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## Virginia's Employee Suggestion Program

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	Fiscal Year										Totals
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Total number of suggestions submitted:	613	618	535	374	267	175	113	104	110	197	3,106
<b># eligible suggestions:</b>											
# employees:											
receiving cash	29	18	23	15	20	8	4	3	2	5	127
leave	49	31	39	52	30	34	7	3	14	19	278
certificate only	11	14	46	53	84	2	0	0	16	6	232
Subtotal eligible	89	63	108	120	134	44	11	6	32	30	637
<b># ineligible suggestions</b>	<u>524</u>	<u>555</u>	<u>427</u>	<u>254</u>	<u>133</u>	<u>131</u>	<u>102</u>	<u>98</u>	<u>78</u>	<u>167</u>	<u>2,469</u>
<b>Total</b>	613	618	535	374	267	175	113	104	110	197	3,106
Estimated savings (in thousands) to the Commonwealth	\$214.5	\$97.8	\$234.1	\$88.0	\$136.2	\$95.7	\$16.0	\$90.4	\$24.0	\$66.7	\$1,063.4

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It is important to remember that the savings are estimates only.

Source: Department of Human Resource Management

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