

Minutes
Commonwealth Competition Council
Thursday, December 4, 2008, 10AM
Patrick Henry Building,
Conference Room Two
Richmond

Members present: Senator Emmett W. Hanger, Jr., Chairman
Geoffrey Segal, Vice Chairman
Christopher Andreano
Samuel Hayes, III
Robert A. Archer
Barry R. Green
Delegate Thomas Davis Rust
David A. Von Moll

Members absent: Lana Ingram Digges
Daniel R. Odio-Páez
Roger Ortega, Sr.
Senator R. Edward Houck
Delegate Timothy D. Hugo
Marian M. Pegram

Vacancies: One

Notice of the meeting appeared on the Commonwealth Calendar on the Internet.

Mr. Geoffrey Segal joined the Council via teleconference. A quorum was present at 10:25 upon the arrival of Delegate Rust. Senator Hanger presided over the meeting.

Public Comment

None

Minutes

A quorum was not present at the start of the meeting so approval of the minutes was delayed until after the first presentation. When a quorum was present, Senator Emmett W. Hanger, Jr. made a motion to accept the minutes as presented and the motion was seconded by Mr. Robert Archer and passed unanimously. Mr. Barry Green requested that Mr. Gentile make a technical amendment to page five regarding his statement on budget reductions, and the minutes were approved with the technical amendment from Mr. Green.

Draft minutes appear on the Internet as soon as possible but not later than ten working days following the meeting in accordance with § 2.2-3707.1 of the Code of Virginia. In addition, Commonwealth Competition Council minutes are being posted in accordance with the above to the Council web page at <http://www.egovcompetition.com>.

Welcome and Introduction

Senator Hanger welcomed everyone and mentioned that the Council was one short of a quorum so approval of the minutes would be delayed.

Technology Update

The Honorable Aneesh P. Chopra, Secretary of Technology, was invited by the Council to provide a technology update. Senator Hanger introduced Secretary Chopra to the Council and commented that he was pleased to have him there. His presentation is attached and is made part of the minutes.

Secretary Chopra began his presentation by discussing the Productivity Imperative as “a problem facing us today.” As a solution to this problem, he stated that the Governor launched the Commonwealth “Ideas” Portal at <http://www.ideas.virginia.gov/> in September 2008 at no cost. He said that the portal does two exciting things: 1) it allows the public to present ideas and 2) it allows everyone the ability to grade the ideas. One idea presented on the portal was “freezing the cost of living adjustments made to contracts.” Secretary Chopra declared that he is “so impressed with the feedback.”

Secretary Chopra said that we are prioritizing programs that we fund because of the budget shortfall and looking for creative ways to finance ideas. The Council on Virginia’s Future adopted an internal performance management system that requires 1) that every agency report a key operating measure 2) and productivity measurement – how cost effective are we looking to achieve that goal? The measures can be viewed on the Virginia Performs website at <http://vaperforms.virginia.gov/>. He discussed three levels to drive productivity through innovation: 1) promoting transparency 2) establishing a policy framework 3) and seeding innovation.

He announced that he is particularly excited about the Department of Motor Vehicles’ (DMV) productivity measurement because they are doing activity based costing. He said that DMV retains \$4 out of every registration to cover administrative costs. According to DMV’s analysis of customers’ methods used to renew vehicle registration, administrative costs for vehicle registration by a DMV Service Center are almost \$8 whereas other methods such as renewing through the Internet are much more cost effective (from \$3.19 to \$4.81). Secretary Chopra explained that only 18 percent of renewals are conducted online. He commented that DMV’s information systems are more technologically advanced than most state agencies, which allows them the ability to look at the data in this way. Other state agencies may not be able to look at their data at the same level.

The DMAS productivity measure is the unit cost of processing Medicaid claims. It currently costs .54¢ to process a claim. Four out of ten times, when the doctor sends in a claim, it is rejected. When a bill is rejected, it becomes a manual process. In addition, 1.2 million claims are rejected because the patient was not eligible for Medicaid. DMAS is working on developing a free web-based provider portal that will determine what insurance people have to reduce the number of denied claims. Secretary Chopra said that the Virginia Healthcare Exchange Network (VHEN) met on December 3, 2008, regarding the selection of firms to develop the portal. Mr. Christopher Andreano asked, “Where does the .54¢ come from?” and Secretary Chopra responded that it comes from the agency’s systems. Mr. Andreano pronounced that the cost of stamps alone for mailing the paper could be significant.

Secretary Chopra stated that we have 2,000 applications that run government and remarked that it costs a lot to maintain them. He said that there are certain enterprise applications that everyone needs such as payroll. They are also developing a concept for shared applications and services. Seven agencies currently have capabilities like the elect content management system, but they would like to join together to get a better product. "As is" the seven agencies would have had to buy twenty-eight servers. By sharing one services center, the agencies will purchase only sixteen servers. Secretary Chopra pronounced that we could not do this before now because there was no VITA. They are also working on the data standards of agency specific applications.

Mr. Andreano asked, "How many payroll systems are out there?" Secretary Chopra responded that he was not sure but that some are combined with human resources systems. Mr. Von Moll stated that there is one central payroll system not including the higher education institutions and that there are many other systems that support payroll that are duplicative. He said that about 95 percent of payroll checks are electronic. Mr. Green remarked that payroll support systems are a big cost and are not consistent even within agencies. He said that the Department of Juvenile Justice (DJJ) has one facility that adopted a hand scanner to be logged in and out. Secretary Chopra stated the Governor's office uses paper-reporting systems for timesheets. He added that the Virginia Department of Alcoholic Beverage Control (ABC) built their own Human Resources time and attendance system. Others have asked to use their system. He said that he cannot say that it is the chosen system, but it could be used in a shared arrangement. He remarked that they are finding great ideas within state agencies. Mr. Green said that DJJ's hand scanner records time and is also a security system. However, they have other facilities that still use paper-reporting systems and use something else for security. He said that the hand reader does more than record time.

Secretary Chopra presented three categories for stimulating productivity: traditional costs savings through the productivity investment fund, service improvements, and advancing Governor's objectives. The productivity investment fund (PIF) puts \$2.3 million to work expecting a five to one return. For example, Old Dominion University (ODU) added 500 new students by moving a number of their courses to a web-based platform instead of using expensive video conferencing equipment and training centers. The PIF also funded a telemedicine project at the University of Virginia (UVA) aimed at finding pregnant women in the Shenandoah Valley who are at high risk for premature delivery early enough to help prevent the early delivery. The average cost of a premature baby is \$30,000 per baby.

Through service improvements, they have simplified the registration process for small businesses through an initial investment of \$150,000 for the One Stop Portal. The One Stop Portal helps small business owners complete registration forms by pre-populating them. The portal was applauded by former EBay CEO, Meg Whitman. They have found ways to sustain the portal so after the initial investment, it will no longer be depended on the general fund (GF). Mr. Andreano mentioned that he did not know about the portal and asked if they had done any marketing of the portal. Secretary Chopra replied by saying that there was no money for marketing.

On the subject of advancing the Governor's objectives, Secretary Chopra spoke about uncovering hidden IT talent. They have funded the development of IT curriculum to educate 18 to 24 year olds who lack a high school diploma to earn a GED credential, career readiness certificate, and technology training to prepare them for entry-level technology work. The first program will begin in southwest Virginia in February 2009 and will be six months long.

In an effort to prevent duplication and minimize challenges employees experience with healthcare, DHRM accepted an unsolicited proposal under the Public-Private Educational Facilities and Infrastructure Act of 2002 (PPEA) to modernize the approach to health benefits. They are down to four proposals but there is no contract because of procurement issues. All of the proposals are available for viewing at <http://www.dhrm.virginia.gov/rfps/ppea/ppeatoc.html>.

They are also partnering with CK-12 (www.ck12.org) on an initiative to provide a new physics textbook at no cost. He explained that many textbooks educate students on how televisions work using old technology that is largely nonexistent. This initiative is to provide up-to-date textbooks, written by volunteers at no cost. The first chapters will be peer reviewed and available in February 2009.

Secretary Chopra spoke of a pilot project in Hampton Roads to link civilian and military health system data. He stated that 50,000 wounded soldiers will return home but no medical records will come with them. They will have to repeat their medical history with all of their civilian doctors upon their return. The resulting Healthcare Information Technology Standards Panel (HITSP) - Approved Continuity of Care Document will allow for sharing of demographics, problem/results, and procedures/summary.

Senator Hanger remarked that it was an excellent presentation. He said that the presentation dovetailed what the Council was about. Senator Hanger mentioned that he was approached by Soil [VDCR/Division of Soil & Water Conservation] regarding a budget request for \$1/3 million for putting up best management practices. Secretary Chopra spoke regarding the NutMan (Nutritional Management) system built by Virginia Tech and said that he did not know for sure but thought that Soil's needs may be met with no more than \$30 K. Senator Hanger said that he needs to speak with someone in Secretary Chopra's office regarding Soil's budget request.

Mr. Andreano pointed out that in most counties and cities, we can do just about everything online at DMV. He asked, "What is the impact?" Secretary Chopra responded that it is a lot cheaper. He said that closing locations is political and that reducing the business at DMV offices releases pressure of overcrowded DMV offices. Senator Hanger stated that DMV is an excellent case of an agency that has experienced technological upgrades. He commented that there are three or four others that need to follow suit. Senator Hanger also mentioned that he recently attending a meeting with the Comprehensive Services Act and that Hampton Roads is doing a good job keeping their CSA foster care children in school. He said that it would be good to see these kids get connected to the Technology Committee. Senator Hanger thanked Secretary Chopra for his presentation.

State and Federal Surplus Property Program Services

Mr. Joe Damico, Deputy Director of the Department of General Services was invited by the Council to present on State and Federal Surplus Property Program Services. His presentation is attached and made part of the minutes. He said that DGS operates two surplus warehouses: one in Henrico and the other in Wytheville. The program supports the reuse/disposal/sale of state and federal property. They try to match the need of state agencies with available state/federal items. They used to provide monthly auctions at both locations, and there was a cost associated with the auctions. DGS brought in Mr. Brad Crawford from the private sector to do some thinking about how DGS can provide surplus property more efficiently. Mr. Crawford and Mr. Robert Gleason released a solicitation to identify private sector auctioneers to pull this responsibility off of the public. As a result, they partnered with Motley's Richmond Auto Auction, Harrisonburg Auto Auction, and www.GovDeal.com. These private sector partners now perform the preparation and

paperwork for the auctions reducing costs to VDOT and DGS. The burden is on the buyer to pickup the item.

The Wytheville location now operates a retail store. It opened about two months ago. The public now comes through daily. Mr. Damico declared that the monthly auctions were a mad house. Mr. Andreano asked how much savings and Mr. Crawford responded from the audience that the monthly auctions in Wytheville brought in \$15,000 to \$20,000 in monthly sales. They are now bringing in \$54,000 in sales. He added that they have been able to raise prices and sell more items. Mr. Damico said that they are still having monthly auctions at the Darbytown location in Henrico County.

Mr. Damico observed that Virginia Code would have to be changed in order to allow local governments to participate in the surplus property program. Delegate Rust asked if there was service fee to the local. Mr. Crawford said that the fee is set by JLARC and that the fee for heavy equipment was seven percent. Senator Hanger asked if we already have a process for JLARC to set the fee. Mr. Damico said that JLARC is required to set the fee according to the Code. Senator Hanger asked the Council if there was a motion to support the amendment to the Code to allow local government access to the surplus property program. Delegate Rust made the motion, and Mr. David A. Von Moll seconded the motion. It was approved by all members.

Budget Outlook

Mr. Daniel S. Timberlake, Director, Department of Planning & Budget was invited to present on the budget outlook. He declared that economists are now saying that we have been in recession for a year now. The reality is that we are facing challenging times. He said that the reforecast in February was pretty accurate. There were some troubling signs such as the flat growth. The Governor announced a reduction plan for FY2009 during a shortfall in this reforecast. There is a pending transfer from the Revenue Stabilization Fund that is pending approval by the General Assembly.

Mr. Timberlake stated that the Governor's Advisory Council on Revenue Estimates outperformed their forecast. Sales tax is falling below what we thought. Revenue estimators are projecting a decline in employment. Non-withholding compensation is a wild card. The stock market will have an impact on this. There has not been an announcement on what the next adjustment will be but it will probably come on December 20, 2008. Budget reductions for FY2010 will not hold K-12 harmless as they did for FY2009. All will be under consideration. Reductions will be seen throughout except for debt consolidation. The local government will be effected by these reductions. The Governor will be finalizing decisions within the next week or so. He will meet with the General Assembly on the 17th regarding these decisions. Components of the next budget reductions may be announced before then.

Delegate Rust commented, "You said that withholdings will continue to drop but the newspapers have said differently." Mr. Timberlake responded by saying that we are not seeing a job loss right now. We are actually outperforming our forecast. It is looking positive for now. We are actually seeing an increase in employment where the forecast sees a decline. However, there is a point in time where it will be negative. Mr. Timberlake said that he hesitated to say more because he has not seen the latest data. Mr. Green mentioned that he read in the newspaper that Northern Virginia was holding up better than other parts of the state. Mr. Timberlake responded by saying that we are losing jobs in some places but experiencing increases in other higher paying areas.

Senator Hanger affirmed, “There is an opportunity for entities like us to focus on best management practices. As an advisory group, we need to come up with ideas. January 7th is our next meeting, and it is after the public release of the budget reductions. There are some provisions that we can weigh in on.” Senator Hanger asked if there were questions from the Council for Mr. Timberlake, and he thanked him for his presentation.

New Business

Senator Hanger recommended that the Council use the January meeting to brainstorm. He added that Monday is the deadline for legislative drafting but that they can put in additional legislative requests after this deadline.

Mr. Archer spoke regarding the requirement of the Veterans Services Foundation at the Virginia Department of Veterans Services to conduct fund raising business for the Wounded Warrior Program as a state agency. He asserted that because of the meeting requirements, the foundations’ hands are tied to accomplish what it needs. No more than two foundation members can meet together without prior public announcement, etc.

Mr. Green stated that the Council needs to know the proposed budget reductions at the next meeting to have a better sense of what is left for the Council to recommend.

Senator Hanger announced the presence of VITA representative, Mr. Tom Falat, in the Council’s audience and proposed that the Council see what is happening in that agency. He pointed out that the General Assembly has requested a two-year JLARC study of VITA. Delegate Rust said that CIO Lem Stewart gave an annual report at another meeting he recently attended that could be shared with the Council. He said that Mr. Stewart may be able to address what the Council needs to know about VITA.

Adjournment

Senator Hanger asked if there was any other business. Since there was no response, he thanked everyone for their attendance and the meeting was adjourned at 12:10 PM.

Next meeting

The next meeting of the Council is scheduled for Wednesday, January 7, 2009.

Jerry J. Gentile
Department of Planning and Budget

