

Minutes
Commonwealth Competition Council
Wednesday, January 7, 2009, 10AM
Patrick Henry Building,
Conference Room Two
Richmond

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

Members absent: Geoffrey Segal, Vice Chairman
Senator R. Edward Houck
Delegate Timothy D. Hugo
Daniel R. Odio-Páez
Roger Ortega, Sr.
Marian M. Pegram

Vacancies: One

Notice of the meeting appeared on the Commonwealth Calendar on the Internet. A quorum was present and Senator Hanger called the meeting to order at 10:08 AM. He presided over the meeting.

Public Comment

None

Minutes

The minutes of the December 4, 2008, meeting of the Council were presented for approval. Senator Emmett W. Hanger, Jr. made a motion to accept the minutes as presented and the motion was seconded and passed unanimously. In addition, 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 posted in accordance with the above to the Council web page at <http://www.egovcompetition.com>.

Proposed Amendments to the 2008-10 Budget

Mr. Craig Burns, Deputy Secretary of Finance, was invited by the Council to provide an update on the proposed amendments to the budget. Senator Hanger introduced Mr. Burns to the Council. His presentation is attached and is made part of the minutes.

Mr. Burns began his presentation with a summary of spending and corrective actions since the last session. He acknowledged that K-12 has been historically exempt from budget reductions but that even K-12 is not exempt this year. Senator Hanger requested a list of the positions affected by the implementation of a funding cap on support positions. That request has been honored and the list has been distributed to members. Delegate Rust stated that when the Governor made his presentation, he described the budget reductions as permanent cuts and policy changes. Mr. Burns responded by saying that most of the reductions are permanent but that use of the rainy day fund is not. Corrections is the biggest in terms of reductions. He said that capital is very limited in this budget. Mr. Gentile asked if Medicaid was still the fastest growing budget item, and Mr. Burns responded that it had reached a plateau but is coming back up due to utilization. Mr. Green speculated that the increased utilization may be due to the existing status of the economy.

Mr. Archer asked Senator Hanger, "Where do you see the areas of controversy from a political standpoint?" Senator Hanger responded that the Secretary of Health and Human Resources has proposed the closure of the Commonwealth Center for Children. These are state beds for the treatment of children in Southwest Virginia and Staunton. He explained that there is an interest in privatizing the beds. He proclaimed that when cutting this far, you move beyond "the fat." He explained that you have to look hard at things that will need to be replaced when the economy improves. The idea behind this is to create an incentive for private hospitals to hold bed space for these children. Mr. Archer asked if these children have mental health illness, and the senator responded that they do. He clarified that the forty-eight beds served 600 children last year. Mr. Green explained that these facilities are used primarily for acute care for crisis situations and that the children stay for short periods of time, from 24 hours to a couple of weeks. The children who need a full assessment and mental work-up are court ordered to these placements. He went on to say that the average census is that 32-33 of the 48 beds are used. The issue has been for kids that really act out such as fire setters. Mr. Green elaborated further by saying that if private hospitals will commit to set aside beds and to have secure arrangements, this could serve these kids. Mr. Archer pronounced that we need the professionals at these facilities to deal with these kids. Mr. Green agreed that adult psychiatrists are not equipped to deal with pediatric psychiatry needs of children. Senator Hanger resolved that he would support this if the services provided can effectively serve the needs of the children and if they can transition the employees of these facilities. He professed that he has resisted taking a position on the closure of these facilities, and that they were proposing to close at the end of June 2009 but were no longer accepting new admissions. They had to reverse this initiative the next day because of the need for placement. Mr. Green pointed out that the Department of Juvenile Justice (DJJ) has used these placements and that children in their custody are usually there for 24 to 72 hours.

Senator Hanger mentioned that there are other controversial topics such as the tobacco tax. He speculated that there is no possibility that the tobacco tax will pass but that it will be controversial. He added that he did not think that it had enough support to even pass the Senate. Delegate Rust surmised that it would not be voted out of the House Money Committee.

Senator Hanger discussed the Dealer Discount on sales tax. He explained that since the inception of sales tax in Virginia, retailers have received about 3 percent of the taxes for collecting the sales tax. He concluded that if we do not give them the discount, this creates \$67 million in savings.

He thanked Mr. Burns for presenting to the Council with such late notice.

Introduced Bills of Interest

Mr. Gentile presented a list of bills that interest the Council including HB 1591 creation of the Office of the State Ombudsman, HB 1641 Efficiency in Government Advisory Councils; established, and HB 1660 Office of Telework Promotion and Broadband Assistance. He announced that HB 1238 to abolish the existing Council and replace it with a Commonwealth Realignment Commission failed. In regards to HB 1591 to abolish the Council, Senator Hanger remarked that the Council is not a major cost factor and that the Council gave birth to the Cost Cutting Caucus.

In regards to HB 1591, Mr. Von Moll observed that this is a much broader approach to the State and Internal Auditor which was cut out in 2002 and rolled into the Department of Accounts (DOA) as a hotline for state employees. HB 1641 Efficiency in Government Advisory Councils would create 23 members councils for each of the 11 secretariats to identify areas to realign, privatize, etc. HB 1600 amends and reenacts the Office of Telework Promotion and Broadband Assistance that sets guidelines on how agencies implement telework. Mr. Von Moll pointed out that the Office of Telework Promotion and Broadband Assistance exists in the Governor's Office [Secretary of Technology].

Delegate Rust revealed that the thought of HB 1641 is to provide more information to the General Assembly so that they have more knowledge of the Commonwealth's work. He disclosed that the patron of this bill, Delegate Marshall has spoken about it on the floor before.

Copies of pending bills were distributed to the Council members along with a summary list of all bills (pending and failed). Mr. Gentile acknowledged that this is only the beginning of the bills because the deadline for introduction is January 23, 2009. Senator Hanger affirmed that none of his bills have been introduced.

New Business

Senator Hanger discussed the upcoming legislative session. When legislators create bills, sometimes they eliminate what was there and replace it with what they think it should be. He said that some jargon is overworked. Everything everyone needs to know about the session is on the Internet. He deliberated that due to the condition of the economy, people would like to hear good ideas from the Council.

The senator recalled that the Council has been reviewing the work of Virginia Information Technologies Agency (VITA). The Joint Legislative Audit and Review Commission (JLARC) has come down on VITA for not meeting deliverables. In the December 2008, meeting, the Council discussed inviting Mr. Lem Stewart, CIO of VITA to provide a presentation on privatization of IT during this meeting. Mr. Stewart, through his aid, said he could not commit to present at the December 7, 2009, Council meeting. Senator Hanger suggested that the Council can make a recommendation on how to make privatization of IT work. He remarked that we did not want to go down the wrong road. The senator stated that his son once priced out a computer for \$8,000 to use in his work for NASA. After going through federal contracts, the computer cost \$50,000. The senator asked Mr. Von Moll if he has looked at these type of purchasing inefficiencies. Mr. Von Moll explained that some would argue that here is a cost associated for a public employee to conduct research of the purchase of a computer; thereby justifying the higher costs going through a private vendor for all IT needs as experienced by the senator's son. A possible future agenda item for the Council is to look at JLARC's numbers. The state does not own the computers purchased through the contract with Northrop Grumman Corporation, nor do they own the center in Chesterfield. The building is leased. Mr. Green remarked that the concept

of having a large group standardize equipment makes sense. He concluded that if we spend more and receive better services, than higher costs perhaps can be justified, but he stated that speaking as a line agency, he has his concerns. Mr. Hayes reported that it has been a nightmare for his agency. VITA wants his agency to sign off that things are okay. He divulged that his agency's technology costs are at \$100,000. Mr. Hayes expressed his frustration with the process – that it is a real issue that the Commonwealth does not own anything at the end of the contract and that the purchasing is inefficient. Senator Hanger concluded that the Council can provide a service to the Commonwealth by digging further into this issue. The senator declared that he is convinced that we are going down the wrong road and that maybe we need to change some things.

Senator Hanger spoke about the recommendation to privatize Virginia Department of Alcoholic Beverage Control (ABC) from the Governor's Commission on Efficiency and Effectiveness. He said that because of trade-offs that have occurred since this recommendation was made, privatization of the ABC is probably not a good idea. Ms. Digges asked, "How many states have ABCs?" Mr. Archer answered that there are between 20 and 21 control states but that he did not know if they actually had ABCs or not. Mr. Green pointed out that some states look at alcohol beverage control as more of a licensure issue. Some give local government the option of controlling it. Mr. Archer added that all Governors come up with some conclusion. The Council agreed that it would be good to have someone from ABC come and speak to them about the ABC 10 to 15 years ago versus today – how sales tax were applied back then versus now. Reports on sales tax are available to download from the ABC website.

Senator Hanger recommended that the Council consider looking at the management of Medicaid claims and the data from the last Council meeting. Mr. Green added that members should look at the administration claims and what is paid out. The Virginia Department of Medical Assistance Services (DMAS) has a performance measure that considers the time and cost to process claims.

Senator Hanger lead a discussion about one of the proposed budget reductions in Corrections. He reasoned that if we deal more effectively with substance abuse issues in the prisons, we could reduce the Corrections census. He said, "There is a proposed budget reduction to discontinue their transitional programs. There is an opportunity here for privatization – for the state to partner through non-profit private providers through privatizing programs such as substance abuse and drug treatment." The senator explained that some of the programs that are being discontinued also have their own fund-raising efforts through activities such as cookie sales. He added that we cannot restart this when the economy improves. The senator stated that non-profit faith-based organizations often provide additional support. The senator also mentioned that there is a proposal to let prisoners out earlier to save money. Mr. Green clarified that the therapeutic transitional program that was proposed to be discontinued in the budget reductions is Gemeinschaft. Mr. Green added that James Madison University did a study on Gemeinschaft. Mr. Green remarked that he would like to see Gemeinschaft stay; that Corrections, DJJ, social services, and education programs are dependent on each other. If you cut one program, it will impact others. He stated that we have to deal with this as a total picture.

Senator Hanger told the Council that they can be an effective facilitator. He encouraged Council members to come to him and Delegate Rust with their ideas.

The senator spoke about higher education and the debate regarding giving more autonomy to certain institutions. He said that when the state gave autonomy to the level three universities, they changed the rules for them. He asked, "Does it make sense to give others more autonomy?" He remarked that big government costs us. The level three institutions do not have to go through the same hoops. Mr. Von Moll explained that the level three institutions are given more

autonomy because they have demonstrated that they have the expertise to handle aspects such as new construction with less need for oversight. Senator Hanger mentioned that Blue Ridge Community College spent \$40,000 on the architectural review to build a barn because of the state process required by community colleges. He speculated that perhaps certain functions could be more universally applied. Delegate Rust commented that he was somewhat involved in establishing autonomy for the level three institutions. He remarked that he thinks that autonomy can be extended a lot further. Mr. Von Moll stated that he thinks that community colleges still use state payroll. He said that six of the four-year institutions operate their own payroll. He concluded that if institutions were given more autonomy, they would collaborate less. He added that there are some institutional standards that the level three institutions collaborate on but they do not collaborate on administrative functions because of their autonomy.

Senator Hanger stated that these issues would still be here after the General Assembly session. He said that the Council needs a more aggressive agenda.

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 11:48 AM.

Next meeting

The next meeting of the Council will be held after the General Assembly adjourns, date and time to be determined.

Jerry J. Gentile
Department of Planning and Budget