



COST SAVINGS

TASK FORCE REPORT

MARCH
2021

Executive Summary

In June of 2020, SEIU Local 1000 and the State of California entered into a Side Letter Agreement¹ to address the severe budgetary shortfalls for Fiscal Year (FY) 20/21 and to prepare for subsequent year shortfalls arising out of the COVID-19 pandemic. The Cost Savings Task Force (CSTF), made up of Union and State representatives, was established as part of this Side Letter Agreement. The purpose of the CSTF was to discuss, identify, and recommend cost savings solutions. The CSTF's primary goal was to identify enough savings to fund the scheduled July 1, 2021 2% General Salary Increase (GSI) previously negotiated by the Union and the State in 2019. This report discusses the following cost savings recommendations as a result of the parties' collaborative efforts:

- **CALCard Supply Purchasing**
- **Centralized Supply Storage**
- **Leveraging and Renegotiating Bulk Contracts**
- **Delayed/Modified Information Technology Refresh Schedules**
- **Shared Enterprise Architecture and Software**
- **Ambulance Procurement**
- **Increased Utilization of Contract Management and Supplier Performance**
- **Standardize Knowledge Transfer in Personal Services Contracts**
- **Free and Open-Source Software**
- **Best Practices for use of Contract Reporting in State Contract and Procurement Registration System (SCPRS)**
- **Expand Plain Language Implementation**
- **Efficiencies in the Accounts Receivables Process**
- **Solar Panels/LED Lighting**
- **Increased Use of Online Self-Service**

This report would not be possible without the hard work of the CSTF, subject matter experts, and many others involved in the volumes of work required to present this information.

¹ [SEIU Side Letter regarding the May Revise 2020 \(ca.gov\)](#)

Introduction

SEIU and the State negotiated a Side Letter Agreement to address the sudden budgetary crisis that resulted from the onset of the COVID-19 pandemic in the spring of 2020. Within the agreement, the CSTF was established to collaborate on identifying cost savings opportunities for the State. The principal goal of this CSTF was to endeavor to identify sufficient savings to fund the previously negotiated 2% General Salary Increase (GSI) for SEIU represented employees. This salary increase was negotiated during the 2019 bargaining session, and was scheduled to be effective on July 1, 2021. This increase was delayed until June 30, 2022 as part of the Side Letter Agreement.

The cost savings concepts were identified under the categories of Procurement, Personal Service Contracts, Innovation, and Best Practices.

Methodology

The CSTF met regularly from August 2020 through March 2021. The meetings primarily focused on discussing savings concepts within State departments and agencies. A wide variety of cost savings concepts were presented, with a focus on cost savings that would not impact the State's capacity to deliver services to Californians. Savings concepts were presented by all CSTF members, and each concept was discussed in depth to determine whether it was a viable candidate for savings.

In addition to deciding whether a concept was an opportunity for savings, the CSTF also considered logistical issues such as implementation costs, long-term/short-term savings, training and existing programs for each concept.

The CSTF relied on subject matter experts to offer background information and context for state processes related to the savings concepts under discussion. These subject matter experts provided extensive information on the state procurement and contracting processes. The information included analyzing how the State purchases supplies, secures technology needs, and works with vendors for goods and services. By understanding the processes already utilized, the CSTF focused on ways to expand on work already being done to identify additional savings and possible process improvements.

The CSTF discussed the savings concepts within Governor Newsom's 2021-22 proposed budget released in January. By analyzing and understanding savings already in the proposed budget, it helped to ensure the CSTF was not duplicating efforts when considering concepts. Further discussions on departmentally identified savings may have allowed the CSTF to provide more focused recommendations.

Savings Recommendations

The savings concepts outlined in the Executive Summary are presented in greater detail below in the following categories:

- Procurement
- Personal Services Contracts
- Innovation
- Best Practices

The information presented in this report is representative of what was discussed in all CSFT discussions.

Procurement

CAL-Card Supply Purchasing

The Department of General Services (DGS) delegates the CAL-Card program to state departments. The program offers benefits such as expanded supplier pools, quicker invoicing, reduction of purchase orders, elimination of petty cash in offices, and cost savings opportunities. It is recommended state departments implement additional oversight over purchases paid with CAL-Card under \$2,500 without a contract, to ensure purchases are mission critical and essential. Further, it is recommended that DGS, in collaboration with the Department of FI\$Cal, makes purchase data related to purchases under \$2,500 paid with a CAL-Card without a contract publicly available in the FI\$Cal system for increased transparency and accountability.

Centralized Supply Storage

Centralizing supply storage for retrieval may result in less supply loss, reduce supply hoarding, control end of year supply hedging, and reduce supply storage space requirements within individual units and sections in departments. Centralizing supplies may reduce unnecessary spending, leverage purchase power, increase business analytics capabilities, reduce supplier risk management and may increase efficiency such as automating routine purchases². It is recommended, where feasible, that state departments implement internal policies and processes to enhance oversight and management of office supplies through centralized systems.

² <https://www.purchasecontrol.com/blog/centralized-vs-decentralized-purchasing/?print=pdf>

Leveraging and Renegotiating Bulk Contracts

Reduction in High Usage Contracts

The CSTF found potential opportunities to find savings with current Leveraged Procurement Agreements. In keeping with the State’s mission to support small businesses and California sourced businesses, the CSTF only reviewed the top contracts held by large corporations, many of which are not based in California. The CSTF identified that the current Producer Price Index³ provides opportunities to leverage reduced producer costs to obtain lower contract costs through the State’s Strategic Sourcing Initiative⁴. However, due to the complexities of these contracts the CSTF recognized that an overall goal of reducing contract costs or contract usage may be the most efficient approach.

The chart below provides the estimated savings for the 2020 year and potential savings⁵ if across the board reductions were to be implemented in the beginning of the FY21/22⁶.

Estimated Savings from Selective Cuts to Largest Goods Vendors				
Procurement Category	2020 Est. Spending	2% cut	4% cut	6% cut
IT GOODS (top 10 vendors)	\$293,680,118	\$5,873,602	\$11,747,205	\$17,620,807
NONIT GOODS (top 10 vendors)	\$712,000,000	\$14,240,000	\$28,480,000	\$42,720,000
Est. Total for 2020	\$1,005,680,118	\$20,113,602	\$40,227,205	\$60,340,807

3 [Producer Price Index \(PPI\) \(bls.gov\)](https://www.bls.gov)

4 A description of strategic sourcing: [Microsoft PowerPoint - What-is-strategic-sourcing-102811.pptx \(umich.edu\)](#)

5 Savings are identified as renegotiated prices or reduced usage.

6 Chart information is extracted from the Department of General Services State Contract and Procurement Registration System (SCPRS) contracts database.

Delay Information Technology Refresh Schedule

The State “refreshes” technology on a four-year schedule⁷. The CSTF identified that adjusting the technology refresh cycle by delaying an initial refresh and operating on a longer schedule moving forward may have the opportunity for savings. Shifting to a five-year or six-year refresh schedule may yield savings⁸ in year one of \$12,142,080 or \$20,236,800, respectively. Technology refreshments include multiple different types of hardware and software. This example refers to refreshing desktop computers. The following chart illustrates the anticipated savings.⁹

Desktop	4 Year Refresh	5 Year Refresh	6 Year Refresh
Number of Items	60,000	48,000	40,000
MSRP	\$1,581	\$1,581	\$1,581
Total Cost	\$94,860,000	\$75,888,000	\$63,240,000
State discount	64%	64%	64%
Discount Amount	\$60,710,400	\$48,568,320	\$40,473,600
Year 1 Savings	\$ -	\$12,142,080	\$20,236,800

Shared Enterprise Architecture and Software

Many state agencies and departments secure licenses for multiple versions of the same or similar software, which may lead to redundancy in purchasing and licensing fees. This concept may require a reduction in purchasing redundant software and implementing statewide software to develop a shared enterprise architecture.

State departments utilize different software programs performing similar functions, potentially creating redundant user fees and underutilized platforms. For example, a single department may use multiple video conferencing platforms (Microsoft Teams, Zoom, WebEx, Adobe Connect, Blue Jeans), and each of these video conferencing platforms may require a user fee. By narrowing the set of platforms used, the state may

⁷ Many departments refresh items like servers on a seven-year refresh schedule.

⁸ Assuming 240,000 desktop computers in the State’s inventory, a four-year refresh schedule, and using the current price and Manufacturer Suggested Retail Price discount of \$1,581 and 64%, respectively.

⁹ Numbers presented in this chart are an illustration of potential total cost savings and do not reflect actual documented spending by the State.

benefit from bulk purchasing and lowered administrative costs ¹⁰.

Promotion of Enterprise Architecture (EA), as referenced in the State Administrative Manual (SAM) section 4906, may reduce redundancies. Departments have common technology needs and by expanding shared EA, the state may reduce fees by purchasing and developing fewer software programs. Additionally, utilizing a shared infrastructure may reduce overall training costs. It is common for civil service employees to transfer between departments several times during their state careers. When an employee transfers, training may be required on departmental specific software programs. If the state had standardized software programs, employees may have underlying foundational knowledge of the software used.

Ambulance Procurement

The State may realize cost savings by having 24-hour institutions purchase and operate their own emergency response vehicles for off-site transport. Some departments primarily contract out ambulance transport services.

The California Department of Corrections and Rehabilitation (CDCR) and the California Correctional Health Care Services (CCHCS) have 37 Emergency Medical Response Vehicles (EMRV) for response within the grounds (i.e onsite) of the institutions. However, these vehicles are not equipped or authorized for off-site transport. In addition to CDCR and CCHCS, it is possible that other departments, such as the Department of State Hospitals (DSH) and the California Department of Veterans Affairs (CalVet) may benefit from operating their own ambulances.¹¹

As part of researching this concept, the CSTF gathered the following supporting data:¹²

DSH and CalVet ambulance service contract costs are:

- Total FY 18/19: \$3,287,471.94
- Total FY 19/20: \$3,639,805.99
- Total FY 20/21: \$6,692,169.61

CDCR ambulance services are identified in the contract with Prison Health Care Provider Network Management Services, under “Ambulance Services,” with the total FY 20/21 contract cost at \$8,507,728.71

¹⁰ Costs assumed include help desk, trouble shooting, and network patches

¹¹ Additional regulatory and operational implementation research may need to be conducted by departments to ensure that they have procured the correct type of ambulance and have the appropriate staff to operate it.

¹² Information is extracted from the Department of General Services State Contract and Procurement Registration System (SCPRS) contracts database.

to date.

Cost of Procuring Fully Equipped Ambulance:

- \$75,000 (estimated based on prior price paid by State).
- Other considerations include maintenance, storage, fuel, increased staffing, and the immediate need to fill a vacancy if the certified state employee leaves the facility.

The CSTF recommends looking into potential cost savings derived from operating a State ambulance service.

Personal Services Contracts

Increased Utilization of Contract Management and Supplier Performance

The state has established processes for evaluating vendors' ability to provide the agreed upon objectives and deliverables in contracts. The state's existing forms (Standard 4 and Standard 971) allow for vendor service evaluations. Requiring the use of this process may prevent other departments from entering into contracts with poor-performing vendors and potentially result in longer-term cost savings.

Standardize Knowledge Transfer Best Practice in Personal Services Contract (PSC) Development

CSTF recommends exploring implementation of knowledge transfer (KT) processes prior to contract execution. The state may benefit from including KT processes as a standard required component within the Statement of Work (SOW). A defined KT component requires vendors to train employees on the services the vendor was hired to provide. The KT process promotes the transfer of duties allowing work to be performed by state employees and reduces reliance on outside vendors.¹³ The KT process may result in cost savings by reducing the number of years a contract is in effect.

Additionally, KT may build employee skills and knowledge, contribute to employees' career development/ upward mobility, and facilitate retention of institutional knowledge.

¹³ CalPERS has established a robust process regarding KT which influenced the CSTF discussions on the issue.

Innovation

Free and Open-Source Software

The State utilizes licensed software to conduct its business needs. Free and Open-Source Software (FOSS) may be a cost effective alternative and yield additional benefits as well. One of these additional benefits is the increased ability for a state agency or department to adapt the software to their specific needs, as state employees may be able to code the software.

Cost savings may be realized by examining the use of the following software programs, and determining where a viable, usable, free and open-source alternative exists. The approximate yearly cost of software license fee is included in brackets below.¹⁴

- Microsoft Office [\$59,587,230/year]
 - Potential alternative: LibreOffice
- Microsoft Windows [\$4,504,531/year]
- Other Microsoft Products [\$80,004,942/year]
- Antivirus Software: McAfee and Malwarebytes [\$4,096,840/year]
- Adobe Acrobat [\$3,598,536/year]
 - Potential alternatives: LibreOffice Draw, Inkscape, and PDFedit
- Adobe Photoshop [\$347,942/year]
 - Potential alternative: GIMP
- Red Hat Linux [\$4,809,289/year]
- Statistical Software [\$2,247,802/year]
 - Potential alternative: R and PSPP
- MATLAB [\$68,000/year]
 - Potential alternative: GNU Octave
- Accessibility: Jaws and ZoomText [\$335,000/year]
 - Potential alternative: NVDA

¹⁴ Cost information is extracted from the Department of General Services State Contract and Procurement Registration System (SCPRS) contracts database.

The CSTF recognizes that there may be associated costs such as training and implementation, though these costs may be offset by reductions to existing training, as some contracts include ongoing program training and related material costs.¹⁵ Additionally, state agencies may already use FOSS, as there is guidance from the California Department of Technology (CDT)¹⁶ permitting departments to use FOSS such as Red Hat¹⁷ at State departments with support from CDT.

15 Training cost data pulled from SCPRS.

16 <https://cdt.ca.gov/services/platform-linux/>

17 Red Hat, Inc. is an American multinational software company that provides open source software products to enterprises [Red Hat - We make open source technologies for the enterprise](#)

Best Practices

Best Practices for Reporting Contracts in State Contract and Procurement Registration System

The State's established database for tracking contracts, the State Contract and Procurement Registration System (SCPRS), is an effective tracking tool to help understand the way in which State money is spent.

Executive Order B-12-11¹⁸ provides that all departments and agencies under gubernatorial authority should use this website to promote the transparency of state contract information to California's taxpayers.

The CSTF recommends further standardizing reporting, and documenting/publicizing related best practices, to better review and analyze contract data. The CSTF recognizes the benefits of all departments using SCPRS.

Plain Language

Plain Language focuses on drafting forms and paperwork in the clearest possible terms. Plain language may provide efficiency of services, reduce costs, and improve confidence in state processes for the general public.

As an example, the State of Washington (Washington) implemented plain language on select state agency forms and found that by changing one document/letter had saved the State of Washington over \$800,000.¹⁹ Washington also found that by changing one letter from the Department of Revenue, they collected an additional \$2 million in tax revenue in one year. Washington's Department of Licensing shifted their forms to Plain Language and were able to clear backlogs, resulting in reassignment of department employees to other customer-facing duties. The U.S. Navy also has adopted Plain Language for certain processes and a study published by the Indiana University's Kelley School of Business estimated that if the Navy adopted plain language comprehensively, they could save between \$27 and \$73 million.²⁰

The DGS, the Department of Motor Vehicles, and California's Administrative Office of the Court/Judicial Council have begun implementing plain language projects. The CSTF suggests building upon established frameworks and expanding upon the efforts to use plain language. The time saved to serve more Californians may result in both short – and long – term savings.

18 <https://www.ca.gov/archive/gov39/2011/10/09/news17274/index.html>

19 Presentation "Washington State: Where We Plain Talk" Dana Howard Botka, Plain Talk Coordinator, Office of the Governor and Manager, Customer Communications, Washington State Department of Labor and Industries. <https://www.governor.wa.gov/sites/default/files/documents/IntroToPlainTalk.ppt>

20 <https://obamawhitehouse.archives.gov/blog/2011/04/19/putting-it-plainly> .

Efficiencies in the Accounts Receivables Process

The cost of overpaying (and underpaying) state employees has a direct economic loss to the departments as additional time and money is spent identifying the errors and collecting the overpayments back from employees. The CSTF recommends identifying, implementing, and incorporating best practices into the state's payroll system.

Solar Panels/LED Lighting

The DGS has an Energy Efficiency Retrofit program that focuses on implementing energy efficiency measures, such as energy efficient lighting in state facilities to reduce utility costs. Additionally, DGS has a Clean Energy program that oversees the installation of solar and wind systems on state facilities. The CSTF recommends exploring an expansion of these DGS programs, which may result in reduced energy costs and sustainable energy use for State worksites.

Increased Use of Online Self-Service

The CSTF recommends the continued development of self-service portals where feasible. This may result in cost savings by allowing employees to redirect time and resources to customers who need to retain access to services in person and for more complex issues. Cost savings may also be found in the reduction in processing times and improvement in data integrity. The state may also see improved overall customer satisfaction through increased access to services.



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