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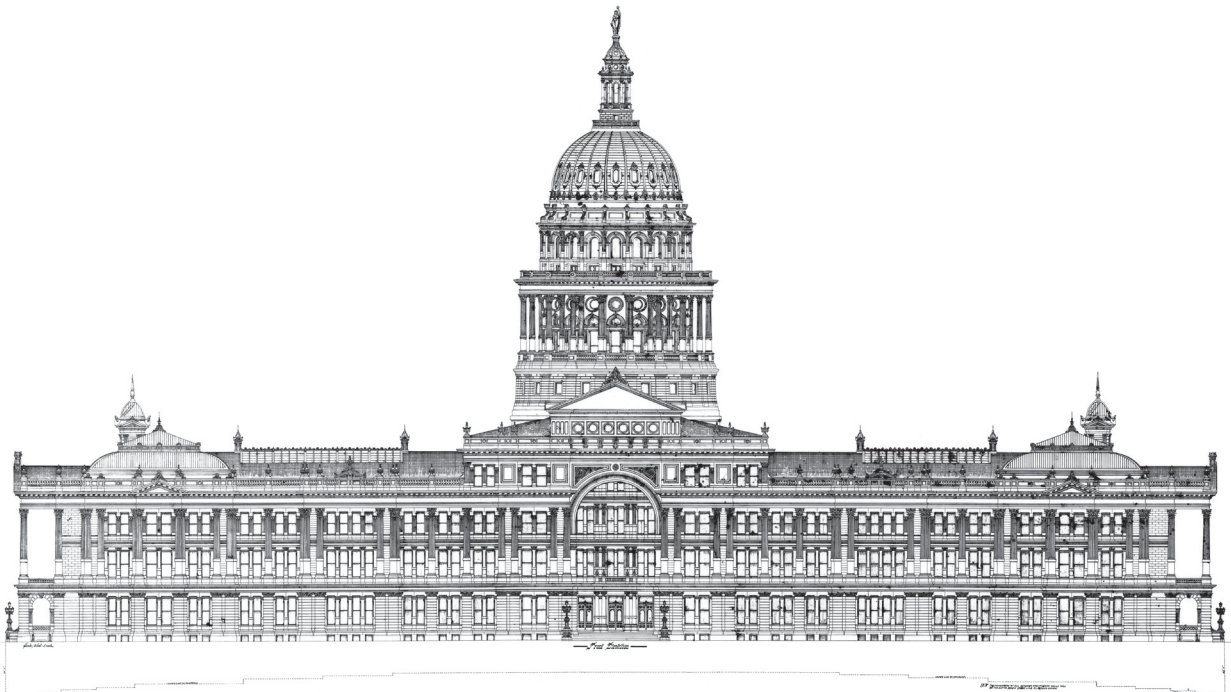
# INTERIM REPORT

TO THE  
82ND TEXAS LEGISLATURE

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*House Select Committee on*  
GOVERNMENT EFFICIENCY AND  
ACCOUNTABILITY

January 2011



**HOUSE SELECT COMMITTEE ON GOVERNMENT EFFICIENCY AND  
ACCOUNTABILITY  
TEXAS HOUSE OF REPRESENTATIVES  
INTERIM REPORT 2010**

**A REPORT TO THE  
HOUSE OF REPRESENTATIVES  
82ND TEXAS LEGISLATURE**

**PETE P. GALLEGO  
CHAIRMAN**

**COMMITTEE CLERK  
JOSÉ AGUAYO**



Committee On  
Government Efficiency and Accountability, Select

January 10, 2011

Pete P. Gallego  
Chairman

P.O. Box 2910  
Austin, Texas 78768-2910

The Honorable Joe Straus  
Speaker, Texas House of Representatives  
Members of the Texas House of Representatives  
Texas State Capitol, Rm. 2W.13  
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

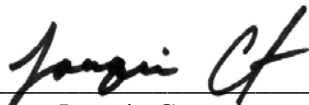
The Select Committee on Government Efficiency and Accountability of the Eighty-first Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Eighty-second Legislature.

Respectfully submitted,

  
Pete P. Gallego


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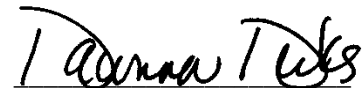
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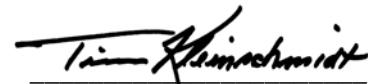
  
Joaquin Castro

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Kelly Hancock

  
Alma A. Allen

  
Dawanna Dukes

  
Tim Kleinschmidt

John E. Davis  
Vice-Chairman

Members: Alma A. Allen, Joaquin Castro, Dawanna Dukes, Kelly Hancock, Tim Kleinschmidt, Rob Orr, Diane Patrick, Chente Quintanilla,  
Burt R. Solomons



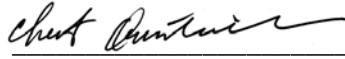
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Rob Orr



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Diane Patrick



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Chente Quintanilla

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## **INTRODUCTION**

On the January 12, 2010, House Speaker Joe Straus appointed eleven members to the Select Committee on Government Efficiency and Accountability pursuant to Rule 1, Section 16, of the House Rules. The Committee membership includes the following members:

The Honorable Pete P. Gallego, Chair  
The Honorable John Davis, Vice Chair  
The Honorable Alma Allen  
The Honorable Joaquin Castro  
The Honorable Dawnna Dukes  
The Honorable Kelly Hancock  
The Honorable Tim Kleinschmidt  
The Honorable Rob Orr  
The Honorable Diane Patrick  
The Honorable Chente Quintanilla  
The Honorable Burt Solomons

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**SELECT COMMITTEE ON GOVERNMENT EFFICIENCY AND ACCOUNTABILITY**

**INTERIM STUDY CHARGES AND SUBCOMMITTEE ASSIGNMENTS**

1. Study and make recommendations for eliminating inefficiencies and improving accountability in state government
2. Include an examination of best practices for purchasing state goods and services and recommend improvements, as needed
3. Study the advantages and disadvantages of privatization, including a review of previous findings, in order to make policy recommendations, as needed.

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**INTERIM CHARGE NO.1**

*The committee will review and make recommendations for eliminating inefficiencies in state government*



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## **BACKGROUND**

Investments in information technology have long been used as a strategy to mitigate inefficiencies in the private sector. While the potential for significant cost savings is great, large scale failures are not uncommon results of these types of investments. In the wake of multi-billion dollar budget shortfall projections, large information technology investments may not be the most cost effective way to drive government efficiency in Texas.

Given that Texas has experienced a 50% growth<sup>1</sup> in its overall budget during the past five years, the traditional approach of large initial investment in information technology (IT) to spur long term economic benefits is not a viable option. Instead, Texas must take a more modest and innovative approach, maximizing the usage of existing technology resources and infrastructure. By identifying low cost solutions, the state could save millions through increased efficiency.

To that end the House Select Committee on Government Efficiency and Accountability held four public hearings to solicit member input and public feedback. The recommendations that follow attempt to outline unified cost savings solutions and reflect the testimony from the numerous witnesses that came before the committee.

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## RECOMMENDATIONS

### **Excellence in Efficiency**

Texas must build upon its legacy of innovation to once again lead the nation in the field of government efficiency, while increasing transparency and citizen involvement.

#### **Problem: Timing of Accounting Transactions**

Our economy is cyclical. Periods of economic contraction result in reduced state revenues while state expenditures generally tend to stay constant. This often leads to budgetary shortfalls in which governments face the challenge of effectively settling their liabilities while maintaining the same level of services. For example, in 2009 Texas experienced a 20% decline in state tax revenues versus 2008.<sup>2</sup>

#### ***Solution: Accounting Adjustments***

Facing a \$9.9 billion dollar budget deficit in 2003, Texas "improved budget flexibility" by deferring payment of several key TEA and the HHSC liabilities to the next budget cycle, according to testimony by Legislative Budget Board Deputy Director, Wayne Pulver<sup>3</sup>. These payment deferrals took the form of accounting adjustments, not a reduction in services. Shifting these payments freed up \$1,149,886,500 in General Revenue Funds, as well as \$265,813,500 in Federal Funds, thereby reducing the need to cut essential government services.

This strategy has been proven to save jobs and essential government services during times of economic turmoil. With unofficial estimates of a budget shortfall run as high as \$21 billion, Texas should consider:

- *Using accounting adjustments to defer payments for certain budget items to the next biennium, including but not limited to:*
  - Foundation School Program
  - Employees Retirement System
  - Teacher Retirement System
  - Medicaid
  - Transfer of gas taxes to the State Highway Fund

#### **Problem: Underutilization of Information Technology (IT)**

Texas' historical investment in IT represents a large resource that has not been fully utilized to drive cost savings. While there is a natural tendency to invest in the latest technologies as a way to increase productivity, the underutilization of existing IT assets represents an inefficiency that must be addressed. Through innovation and creativity, Texas can use technology currently in place alongside low cost measures to help optimize the operations of the State of Texas.

#### ***Solution: Go Paperless***

The infrastructural foundations are currently in place to gradually eliminate paper-intensive processes and move them online<sup>4</sup>. In fact, the Office of the Comptroller of Public Accounts (CPA) is a leader in this venture. Among other functions of the CPA's website, citizens are now able to file and pay their state taxes online, whereas before this was a slow and

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cumbersome process<sup>5</sup>. Other agencies have followed suit, and as a result Texas interacts with its constituency much more efficiently and effectively.

However, Texas has largely overlooked the potential of going paperless to achieve internal cost savings. For example, the House of Representatives prints millions of pages each year by statute and rule, costing the state \$306,937 this biennium alone (this is not including labor or rent of the facilities)<sup>6</sup>. All members have the necessary hardware and software to securely receive these documents, and most of this material is already part of the public record. Some printing costs are unavoidable; however, even if a small percentage of statewide documents are transferred electronically rather than physically, the state could save millions of dollars annually.

Several state agencies, including the Council on Competitive Government (CCG), agree that a shift towards paperless processes could be beneficial to the State of Texas. The elimination of paper warrants, checks, payroll, and other paper intensive processes could save Texas millions. The Texas Workforce Commission has reduced paper volume by, among other things, using a payment card for unemployment benefits. A transition to paperless represents much more than just a reduction in paper; it enhances the way Texas does business. For example, an electronic payroll system would enable state employees some flexibility in using electronic pay cards in addition to the direct deposit system already in place.

If Texas could change rules and allowed for a gradual shift towards paperless document transmission in this and other areas of government, it could mean millions of dollars in savings. Moreover, the change does not have to occur overnight. The Texas Legislature can lead the way by gradually introducing electronic committee hearing binders. Since all the infrastructure is already in place (e.g. computers, outlets, Ethernet, software), printing costs can be reduced without any increase in capital investment by simply reviewing documents on a computer screen rather than a piece of paper. Eventually, as this practice takes hold in the Legislature, the multimillion dollar printing operation can be replaced with electronic transfers, driving huge cost savings for the state.

The Texas Department of Criminal Justice (TDCJ) offers another opportunity for process efficiency through digitization. Currently, forms completed by institutional parole officers as a part of the case summary file used by the Board of Pardons and Paroles to review an offender for release are paper intensive. With the necessary retooling of parole officers, this process could be replaced with automated web forms that are secure and far more efficient. Individuals released by TDCJ are given \$50, as well as any amounts due to them in the trust fund, in cash. This money could be disbursed through electronic payment cards, reducing the risk to the individual and adding controls. A larger digitalization effort at TDCJ will produce cost savings for Texas.

Migrating these and other processes online means more than just cost savings. This policy allows the State of Texas to increase the pace of document digitization, a pivotal element in increasing government transparency. The endorsement of commonly used electronic document sharing/exchanging and similar e-collaboration tools can similarly save time and money. This wouldn't just represent another environmentally friendly initiative, rather it

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would be an improvement to the way Texas serves its citizens.

Thus, the State of Texas should consider:

- *Encouraging agencies to use electronic systems and discontinue the use of paper as much as possible.*

***Solution: E-collaboration tools***

The State of Texas spent a staggering \$157,127,157.91 on travel expenses. Ninety percent Of these expenditures are for in-state travel<sup>7</sup>. While some of these travel expenses are unavoidable due to Texas' sheer size, using technology and infrastructure already in place more effectively can drastically reduce costs. The use of free software programs such as Skype™, and Google Wave™, coupled with existing videoconferencing infrastructure entails little to no cost for the state and could facilitate communication between parties. By maximizing this communication, state agencies minimize or even eliminate the need to travel and reduce costs.

If only a modest 10% of these travel expenses could be avoided, this represents more than \$15 million dollars in cost savings through very low effort measures. Alongside careful stewardship of meal and lodging allowances, the State of Texas could realize significant cost savings.

The State of Texas should consider:

- *Promoting agencies to use e-collaboration tools to supplement current activities in order to drastically reduce costs and optimize efficiency*

***Solution: Video Tagging Technology***

Anyone searching for specific information in the Legislature's video archives has to spend hours sifting through archived video testimony. Platforms such as the one offered by Granicus™ - currently in use by many cities and states - gives the viewer the choice to go directly to that portion of the video dealing with the agenda item of their interest, thus reducing the time dedicated to researching.

The Texas Legislative Council has a contract with RealPlayer for video support and maintenance. This service costs approximately \$20,000 annually<sup>8</sup>, while Granicus™ support and maintenance costs are only \$15,000 annually. Even with initial switching costs, the lower annual fees and superior functionality of the Granicus™ software makes this a reasonable investment.

The State of Texas should consider:

- *Encouraging the use of video tagging technology*

***Solution: Electronic Government***

Texas should utilize the internet to create an online civic forum to facilitate citizen participation in government. Specifically, a website should be established that functions as a

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centralized hub where residents can submit suggestions and complaints, as well as report fraud and abuse. Similarly, a single centralized toll free phone number should be established for the same purpose<sup>9</sup>. Additionally, a web tool should be designed to assist with public data requests by directing users to the proper agency. These tools should be advertised to all relevant parties - namely state employees and the public at large. A link in the Texas.gov website may serve these purposes by directing the public to the previously mentioned web tool<sup>10</sup>.

This idea, while a small investment in time and resources, promises to yield significant cost savings to the State of Texas. The city of Manor, Texas serves as a guiding example for using available technology to drive cost savings and interaction among constituents. Their innovative and cost effective solutions include<sup>11</sup>.

- See-Click-Fix: mobile application that allows citizens to "report street and water problems in their neighborhood."
- Manor Labs: online "site that uses games and offers rewards to spur residents to participate in improving government."

The federal government has taken a similar approach to constituent interaction in order to drive cost savings. The President's SAVE Award allows "federal employees from across the government to submit their ideas for efficiencies and savings as part of the annual budget process<sup>12</sup>." The winner's idea in 2009 alone "is expected to save \$2 million for 2011, and \$14.5 million between 2010-2014."

These examples demonstrate that Texas can extract vast amounts of wisdom from its constituency through existing information technology at a surprisingly low cost. Thus, the State of Texas should consider:

- *Using online government to empower citizens and achieve cost savings.*

### **Problem: Underdeveloped Internal Processes**

Investment in technology alone will not be enough; internal processes must be revitalized to optimize the use of taxpayer funds. This committee has identified some areas of improvement in state government processes that could result in considerable savings to the state at a reasonably low cost.

#### ***Solution: Fingerprinting Services***

Current fingerprinting practices vary throughout the state and result in unnecessary waste of time and money. A harmonized fingerprinting/biometrics system should be introduced for use by all state agencies and counties that meets Texas Department of Public Safety (DPS) fingerprinting standards. The agency follows federal fingerprinting standards and, according to them, all Texas Counties have received the necessary equipment required to meet the FBI's Integrated Automated Fingerprint Identification System, or IAFIS standards.

The State of Texas should consider:

- *Consolidation and harmonization of fingerprinting services and requirements*

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***Solution: Energy Efficiency***

In 2007, the 80th Legislature passed HB 3693 requiring state agencies, universities and local governments to adopt energy efficiency programs. The adoption of this measure has not been universal and to date only some state agencies have complied. The LBB should include energy efficiency measures in agency performance reviews in order to maximize the benefit to the state. Also, a review should be conducted regarding the possibility of extending these energy efficiency efforts to local school districts and tying the reductions in energy consumption to portions of building and maintenance funding as an incentive.

- LPB Energy Management, the Council on Competitive Government's Energy Management contract holder, testified about their success in identified savings in electricity usage<sup>13</sup>. At the time of the hearing, \$45,871,000 total project savings had been implemented across the state through negotiating electric rates, finding and correcting billing errors, as well as outsourcing utility bill processing. The company identified areas with additional potential savings. The State of Texas should consider:
  - *Reviewing the energy efficiency programs of state agencies*

***Solution: State Parking Facilities***

The Texas Facilities Commission maintains 17,267 parking spaces in 46 lots and garages in the central Austin area, 85 percent of the agency's total parking capacity statewide. Daily usage rates for state parking lots and garages in central Austin range from less than 10 percent to 95 percent, averaging 68 percent. Given a 32 percent average vacancy level, optimizing the use of the state's parking facilities would increase revenue and improve the management and maintenance efficiency of this major set of state assets<sup>14</sup>. The State of Texas should consider:

- *Optimizing the Use of State Parking Facilities.*

***Solution: Highway Maintenance Fee<sup>15</sup>***

Overweight vehicles cause more damage to Texas highways than passenger vehicles, but pay for a smaller share of the damage. Adjusted for inflation, this damage was estimated to be equivalent to \$110 million in 2007. Restructuring the highway maintenance fee to account for weight and distance, as well as reevaluating the fee and adjusting it as necessary, would help make it more equitable and proportional to the damage created by overweight vehicles<sup>16</sup>. The State of Texas should consider:

- *Restructuring the Highway Maintenance Fee to Better Align It with the Cost of Road Maintenance.*

***Solution: Inmate to Parolee Transition***

Texas prisons presently operate close to maximum capacity. Delays in releasing offenders approved for parole limits bed capacity and results in the use of contracted beds. In fiscal year 2008, the Texas Department of Criminal Justice spent approximately \$28 million for contracted capacity. Because the completion of an offender's case summary is the beginning

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of the parole process, inefficiencies in preparing case summaries delay the review and release process. Any inefficiency in the process results in increased costs to the state through the delayed release of offenders<sup>17</sup>. The State of Texas should consider:

- *Reducing delays in releasing offenders approved for parole.*

### **Excellence in Transparency and Accountability**

Transparency and accountability are essential parts of governing in the 21st century. Not only can an emphasis in these two facets of government increase civic engagement, it can also be a powerful tool in maximizing cost savings. While the State of Texas has taken huge steps to become a leader in this arena, the following recommendations can help Texas remain at the forefront of open government initiatives.

#### **Problem: Public Information Act Deficiencies**

The Texas Public Information Act (TPIA) has been vital to Texas' advances in transparency and accountability. However, TPIA, in its current form, needs some improvement to better serve Texans. Moreover, a different approach to information requests can mean more efficient interaction with the constituency.

#### ***Solution: Limit Proprietary Control***

Many agencies hire third parties to design, implement, and manage their databases and information systems. When members of the public request information from these systems, however, the third parties argue that the formatting and presentation of the data constitutes a trade secret which is protected under copyright law and not subject to the TPIA. Paying for programmers to reformat databases in order to share with the public can be extremely costly, which leads to a virtual privatization of the public record<sup>18</sup>.

"In a move to outsource creation of systems used to collect data that is so important to the public, agencies are effectively pricing the public out of the ability to access the information or even know what data are collected by the agency," according to testimony by Ryan McNeill, Computer-assisted reporting editor at The Dallas Morning News. Thus, the State of Texas should consider:

- *Amending the Texas Public Information Act (Texas Government Code, Chapter 552) to limit proprietary control over public data.*

#### ***Solution: Improved Data Dissemination***

Many agencies wait for data requests before publishing public information. Instead, agencies should work to gradually and proactively publish all data that the public is entitled to see under the TPIA. Not only will proactive data dissemination increase public trust, it will save the state millions by decreasing the frequency of public record requests. To that end, it would be beneficial if agencies were to place raw data on their websites.

State agencies should track and publish the types of requests being made. This would allow the public to search under certain categories and in turn reduce the volume of requests. State agencies must comply with public requests for data unless the type of data falls under one of

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the exceptions in the TPIA. Disputes over whether a request falls under an exception may be referred to the Attorney General (AG) for a ruling. In order to reduce the number of cases referred to the Attorney General, as well as the delays associated with this process, the Legislature should direct the AG to track and publish its rulings. Furthermore, state agencies should be required to check for prior rulings on similar data prior to referring cases to the AG.

Providing raw data in open platforms to the public, advocacy groups, and media organizations may result in the creation of free applications to analyze this information. Organizations such as the Texas Tribune are already developing such applications with the available data<sup>19</sup>. Making it a standard agency practice to release raw data in open platforms will likely save the state money in the long term and encourage innovation by those who developed applications. Thus the State of Texas should:

- *Incentivize agencies to pro-actively publish data that has been deemed public information and track public request data.*
- *Amend the Texas Public Information Act to curb the volume of state agency referrals of public data requests to the Attorney General.*

***Solution: Standardize Data Retention Policies***

The Texas Records Retention Schedule<sup>20</sup> found in the Texas Administrative Code Title 13, Part 1, Chapter 6, Subchapter A should be reviewed to eliminate any inconsistencies that might exist between agencies regarding the amount of data to be retained and the duration of its retention. These possible inconsistencies make research on government data and policies unnecessarily difficult for members of the public due to a patchwork of arbitrary practices. Additionally, the lack of standards means that agencies are not held accountable for early elimination of data which results in permanently blocking access to the public. The publication and implementation of a consistent set of standards would help to resolve this issue. The State of Texas should consider:

- *Clarifying and harmonizing state data retention policies.*

**Agency Consolidation**

- *Expand the Texas Council on Competitive Government (CCG) concept to consolidate internal processes by eliminating non-value added activities.*

CCG constantly evaluates opportunities to consolidate services and activities that are non-value added under one contract, such as energy management, which can result in substantial savings (\$45,871,000 in the case of energy management<sup>21</sup>) and a more streamlined process. Agencies should be incentivized to establish a dynamic monitoring system to identify opportunities for internal and multi-agency consolidation. The State Auditor's Office (SAO) could be directed to identify such opportunities.



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➤ *Merge the Texas Facilities Commission (TFC) into the Texas General Land Office (GLO).*

Established in 1836, the Texas General Land Office (GLO) has been responsible for managing the state's vast holdings of lands and properties, including management of the Permanent School Fund's (PFS) real estate assets. The GLO uses a private sector approach to maximize these real property resources. The Texas Facilities Commission (TFC) is responsible for planning, providing, and managing 24 million square feet of leased and state-owned properties. These include office, warehouse, and parking facilities, as well as most of the state agency office buildings in downtown Austin. In contrast with the GLO, the TFC and not the agencies, is responsible for the costs incurred in leasing these properties. Migrating TFC areas of responsibility and assets into the GLO would result in long term savings for the state as long as the GLO is allowed to manage state properties in a manner that is consistent with the private sector.

Agency budgets should include an assigned value for the rent to be paid for their current space, which is currently paid through TFC. This would enhance financial transparency and give agencies more flexibility for leasing decisions. Moreover, the GLO should be given the freedom to maximize the use of this real estate by offering excess space to the private sector through commercial/multiuse leases on street level floors. The state should be allowed to lease space to private sector business in and around the capitol complex. This would provide additional revenue to the state to help offset costs of managing buildings.

The state should examine the way space is allocated to state agencies. Unlike the private sector, state agencies do not pay their rent or utility costs directly. Instead, the cost of housing state agencies is borne by the TFC. State agencies should be appropriated money for their space needs and allowed to manage their budget accordingly. The GLO has been doing this with its real estate holdings and it is therefore an ideal candidate to absorb and transition TFC functions to a manner that is consistent with private sector practices.

➤ *Employee training and retooling of public workforce at minimal cost.*

Expand current offering of online resources and courses with a focus on getting tools to local and state agencies as well as publicize the availability to those that could benefit (state employees, cities, counties). The use of open platforms should be encouraged. As an example, the Texas Legislative Council's Computer Support Center<sup>22</sup> offers various online training opportunities that could be extended to state agencies. Similarly, the State Energy Conservation Office (SECO) offers a variety of energy efficiency training tools<sup>23</sup>.

➤ *Encourage clarification of certain lobby reporting requirements*

Consider amending various provisions of Chapter 305, Subchapter A of the Government Code such that independent contractors and consultants are required to register their operations with the Texas Ethics Commission, which will publicly disclose information concerning the identity, expenditures, and activities of such persons thereby increasing the amount of transparency in government.

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**INTERIM CHARGE NO.2**

*"Look for best practices in purchasing state goods and services. The committee will continue to explore ways to increase transparency and eliminate inefficiencies in state government."*

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## BACKGROUND

### **Effective Procurement as an Organizational Problem**

Texas has been attempting to develop the best procurement system in the public sector for decades. However, the journey is far from complete. By understanding this issue as a business matter, Texas can begin to revitalize its purchasing operations.

Efficiency in procurement has long been a major theme in business. By the mid 1960's, companies and universities alike were searching for synergies between Information Technology (IT) systems and procurement systems<sup>24</sup>. With the recent advent of advanced software systems, operations optimization has become a powerful industry. Today, effective Enterprise Resource Planning (ERP) software not only automates rudimentary business functions, but more importantly, changes the process itself.

Nevertheless, all the technology in the world cannot fix deficient business processes. In fact, the implementation of advanced technology without drastic organizational change has been proven to be disastrous both in the public and private sectors. Large ERP projects are notoriously difficult to implement,<sup>25</sup> and often bad decisions are executed faster<sup>26</sup> without significant organizational change. Therefore, organizational progress, not just IT investments, must also be a major concern of any study focusing on best practices in procurement<sup>27</sup>.

### **Texas' Current Procurement Process**

Texas' dynamic procurement needs have cultivated the emergence of a very complex purchasing system. Prior to the advent of the internet, the process of purchasing goods from vendors was slow and paper-intensive. To avoid overwhelming one central agency, each individual state agency had wide latitude to manage their own contracts.

Technological advances have since challenged this paradigm of necessary decentralization. The internet and advanced software applications have significantly automated the procurement process, making centralization of this function feasible.

Consequently, the statutory foundations of the procurement process are adapting to this new technological landscape by centralizing these previously decentralized processes. Beginning in 2007, most of the purchasing responsibilities of the Texas Building and Procurement Commission, now the Texas Facilities Commission, were transferred to the Office of the Comptroller<sup>28</sup>. Moreover, according to the CPA:

*"To support state operations and shorten the procurement cycle for purchasers, state law grants purchasing authority to CPA, the Council of Competitive Governments (CCG), and the Department of Information Resources (DIR) to establish contracts for commonly used goods/services for state agency and local government use. Statewide contracts include GoDIRECT contracts for IT/ARE goods and services and CPA Term and TXMAS contracts for other goods/services<sup>29</sup>."*

The centralization of procurement power continued as statutes began mandating that state agencies must "utilize the term contracts unless they fail to meet their needs."<sup>30</sup> Moreover, the CPA mandated that "brand preference or lower pricing for the same item [are] not acceptable reasons to purchase outside the term contract<sup>31</sup>." This statutory centralization of procurement

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power has been coupled with statewide technological initiatives to bring cost savings to the State of Texas through increased efficiency.

A key to this reinvention of the procurement process has been the ability of both state agencies and local governments to purchase goods and services using term contracts included in the TxSmartBuy online module. Additionally, the Department of Information Resources has built an online site through which state agencies and local entities can purchase numerous types of information technology commodities (also known as ICT Cooperative Contracts)<sup>32</sup>. This technological revitalization of the procurement process has shortened a formally lengthy and arduous procurement cycle. Moreover, the cost savings related to the growth of "voluntary customers," such as local governments that are not statutorily mandated to purchase through state contracts, surpassed \$100 million as early as 2007<sup>33</sup>. According to DIR:

*"The significance of the sales increase is that increased sales equates to a stronger negotiation position for the State of Texas, which ultimately results in increased savings to taxpayers."*

While these advances signal a huge step forward, Texas is far from reaching optimal efficiency. Since 2005, the budget has expanded from \$118 billion to \$182 billion dollars, a staggering 50% increase<sup>34</sup>. Concurrently, the number of full-time employees has expanded by more than 9% since 2006 from 218,342 to 238,404. While inflation, population growth, and the American Recovery and Reinvestment Act account in part for this budgetary expansion, these figures may suggest that unnecessary bureaucratic expansion may be underutilizing some taxpayer funds. With this in mind, it is easy to fall back on the tried and true strategy of headcount reduction during times of economic crisis<sup>35</sup>. However, Texas is more likely to reap long term financial benefits from giving current employees the tools to become more efficient through technology and practical organizational restructuring. Any resultant headcount reductions would not be short-term cures for a budget deficit, but rather evidence of Texas' growing efficiency. Texas is well on its way to becoming a shining example of efficiency for other state governments, but data suggests that much work must be done before it can achieve this goal.

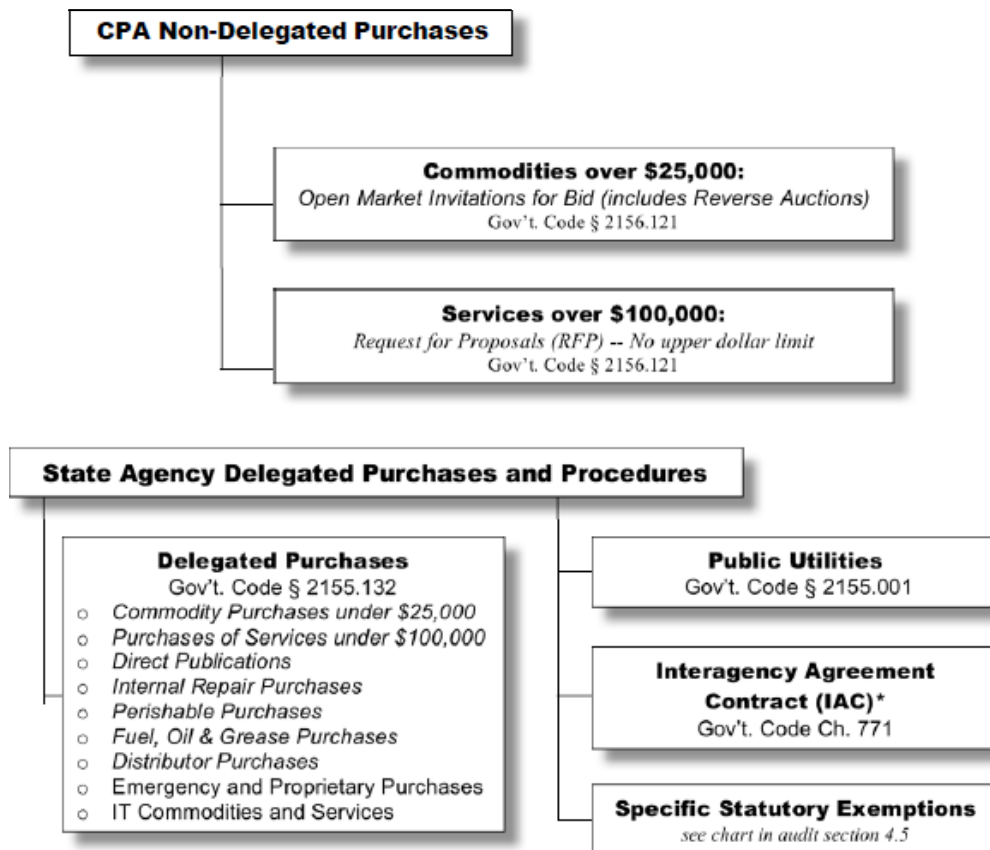
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## Delegated Purchases

The DIR's and CPA's robust procurement method has not been fully utilized for largely two reasons:

### 1. Delegated purchases procedure:

By statute and rule, the Comptroller of Public Accounts has set the following parameters<sup>36</sup>:



Texas Procurement Manual, Section 1.0

The chart above illustrates that, while the Office of the Comptroller has wide control of most large commodity and service purchases, relatively smaller purchase orders are not necessarily being made through the CPA, and therefore the TxSmartBuy system.

### 2. Departments in silos:

Well-intentioned people in different departments have a natural disincentive to share information, especially when that information has financial implications. Moreover, when organizations are given some opportunity to retain purchasing power they are naturally inclined to do so, even if it unknowingly hurts the bottom line. In the case of Texas, this means that one of the unintended consequences of the Comptroller's rules is that agencies are incentivized to make more orders in smaller amounts to avoid the use of state contracts. This practice defies the basic principle of economies of scale, and results in

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millions of misspent taxpayer dollars<sup>37</sup> as a result of an incentive misalignment. Moreover, different departments may very well be making the same purchases from the same vendors. However, since they are unwilling to share financial information, the people of Texas ultimately pay the price.

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## RECOMMENDATIONS

### **Excellence in Procurement**

Potential annualized savings of \$252 to \$539 million were recently identified in a study prepared by Accenture for the Texas Comptroller of Public Accounts<sup>38</sup>. According to the report, these savings can be realized through changes in strategic sourcing, delegation authority, organizational structure, as well as changes in contract management practices. The Committee believes annualized savings of \$100 to \$200 million can be achieved by:

- Maximizing current cooperative purchasing agreements and
- Enacting relevant statutory changes  
(*Currently only 3.4% of the total \$11.8 billion in targeted spend is being strategically sourced using a leading practice approach and only 9.4% of the total spend for the State is managed centrally by CPA and DIR*<sup>39</sup>)

### **Problem: Cooperative Purchasing**

#### ***Solution: Consolidated Purchases***

Many state purchase orders are submitted just below the threshold of CPA state contracts for that particular good or service to retain local control and avoid negotiated contracts. Leveraging Texas' buying power through the use of CPA and Department of Information Resources (DIR) managed term contracts, as well as other similar consolidated buying options, will save millions.

The Texas Administrative Code Title 34, Part 1, Chapter 20, Subchapter C, Rule §20.41 should be tightened to encourage consolidated purchasing and discourage the delegation of purchasing function to agencies. Specifically, the current \$25,000 and \$5,000 thresholds should be lowered to \$15,000 and \$3,000 respectively. The State of Texas should consider:

➤ *Discouraging delegated purchases to maximize Texas purchasing power*

The Texas Multiple Award Schedule (TXMAS)<sup>40</sup> was instituted in order to adapt existing competitively awarded government contracts to the procurement needs of state agencies and co-op members. It offers a wide range of commodities and services at terms and prices that have been negotiated to be fair, reasonable, and competitive. Texas should consider a system in which some portion of money saved using these and other similar purchasing methods (ICT and TxSmartBuy contracts) is "kept" by that agency during the next budget cycle<sup>41</sup>. Moreover, Promoting timely and accurate financial information sharing will result in improved strategic sourcing decisions and a greater willingness to cooperate when purchasing similar goods and services. Thus the State of Texas should consider:

➤ *Incentivizing the use of CPA, TXMAS, and DIR contracts through savings programs.*

➤ *Working with stakeholders at the state and local level to share financial information.*

#### ***Solution: Contracting Procedure***

In order to build an efficient procurement system, Texas must systematically review its current strengths and weaknesses. To that end, we recommend that the State of Texas:

- 
- *Review whether state agencies are taking advantage of government contracting programs*
    - The CCG has several contracting programs, but not all state agencies use these contracts for state services. The Legislative Budget Board (LBB) should be encouraged to develop a benchmark that uses the various negotiated contracts within an agency's performance measures to analyze and maximize potential savings to the state.
  
  - *Analyze the transfer of procurement duties from the Texas Building Procurement Commission (renamed the Texas Facilities Commission) to the Comptroller as outlined in HB 3560, 80th Legislature (2007)*
    - Review this transfer and identify weaknesses to improve the success of future consolidation efforts.
  
  - *Review DIR vendor contracting requirements*
    - Presently, DIR only allows vendors to qualify as a vendor every time a Request for Offer (RFO) is issued. However, in some cases, an augmentation in issuing RFOs gives new vendors a chance to participate in the amended contract. This can result in savings by increasing competition.
  
  - *Review of Higher Education exemptions from state contracting agreements*
    - Currently, universities are not obligated to contact the comptroller when making new purchases as they have their own purchasing departments<sup>42</sup>. Requesting them to benchmark prices against existing state negotiated contracts would ensure the best value proposition in the interest of state finances.
  
  - *Introduce common procurement benchmarking procedures*
    - The Department of Information Resources (DIR) has developed a thorough benchmarking procedure<sup>43</sup> that other agencies could use as a model when purchasing state goods and services. By comparing its negotiated prices to those offered through federal government purchasing agreements, as well as those obtained by other states, transparency is enhanced and savings are achieved.



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**INTERIM CHARGE NO.3**  
*The committee shall study the advantages and disadvantages of privatization,  
including a review of previous findings, in order to make policy  
recommendations, as needed.*

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## BACKGROUND

Even in the private sector, outsourcing benefits have not come without disappointments. However, companies have adapted to change, learning from their failures along the way. Outsourcing of manufacturing facilities failed in many cases as a result of flawed materials management and just-in-time practices. Similarly, the State of Texas has experienced some recent success, coupled with a fair share of lackluster results from privatization and private-public partnerships. Texas must also change and learn from past experiences in order to maximize the benefits of privatization.

### **Health and Human Services Commission**

Recent examples both of failure and success are found at the Texas Health and Human Services Commission (HHSC). A recent report by the State Auditor's Office (SAO) on the HHSC administered Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) found that "the percent of SNAP applications that the Commission processed in a timely manner fell from almost 92 percent in fiscal year 2006 to less than 70 percent in fiscal year 2010<sup>44</sup>." This was only one among a series of failures attributed to the privatization of these eligibility functions. Other findings included a rise in eligibility workers with less than two years of experience moving from 4 percent of the total in 2005 to 41 percent in 2010. The corresponding decline in the number of tenured employees resulted in, among other things, a noticeable increase in the SNAP eligibility determination error rate.

In contrast, the HHSC-managed Texas 2-1-1 telephone referral and support service is an example of a successful public/private partnership. A sizable venture, this program handles 150,000 calls per month through a network of 25 call centers distributed throughout the state. Partners include 11 regional United Ways, 8 Council of Governments, and 6 other private non-profits, community councils, and local Workforce board or city entities<sup>45</sup>.

### **Privatization**

To replicate this success, Texas must adopt best practices that are commonplace in the private sector. To that end, The Committee heard testimony focused on learning from past privatization and outsourcing experiences. A number of experts who testified before the Committee felt that a public discussion of what does or doesn't constitute an inherent function of government should be at the core of any privatization decision<sup>46</sup>. Similarly, Celia Hagert of the Center for Public Policy Priorities suggested that confidential and realistic in-house benchmarking, including a full and fair comparison of the alternatives, is an essential exercise prior to moving forward with privatization initiatives. Additionally, projects must:

- Be scaled to avoid the dictum of projects too large to succeed, according to John Miri<sup>47</sup>.
- Include an extensive training program for both the agency contract managers, as well as those employees hired by the private entity<sup>48</sup>.
- Ensure that privatization will save taxpayer funds.
- Include a solid quantitative and qualitative analysis.

Clearly privatization of non inherent functions can offer benefits, but ultimately, after it has been determined that a certain activity is not an inherent function of government, the decision must follow strict, transparent steps to ensure that a sound business model was followed in the

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development and execution of any given project<sup>49</sup>. In short, like any private business venture would, state government must know (1) exactly what it seeks to privatize; (2) the exact scope of the privatization project; and (3) the exact milestones and deliverables it expects before proceeding.

### **Privatization and Transparency**

Apart from saving taxpayers' money, reforming privatization practices is essential to supporting transparency efforts in Texas. Transparency can fall victim to privatization efforts, particularly when program data is warehoused by a private entity. There is evidence to suggest that many agency technology outsourcing contracts lack provisions to protect the public record nature of the data generated or warehoused by private companies<sup>50</sup>. The unintended consequence of such omissions is that private contractors who carry out public functions, as well as their employees and attorneys, are not subject to the Public Information Act. This is due to the proprietary or privileged nature of the software architecture used to generate analytics from the operations<sup>51</sup>.

Texas must develop a basic template for analyzing the appropriateness of privatization in each individual circumstance. Such a template must be objective in nature and must include a provision that requires information to remain public if it would have been public had it been maintained by a public entity.

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## RECOMMENDATIONS

### Excellence in Privatization

#### **Problem: Process Deficiencies**

Texas procurement practices can be strengthened by ensuring that contracts hold vendors responsible in cases of product or service failures, thus mitigating the public risk<sup>52</sup>. Similarly, current agency contracting practices could be improved by establishing a set of risk management standards such that when a product or a service fails to deliver the contracted outcomes/results, remedies are available to compensate for the loss.

#### ***Solution: Privatization Procedure***

To that end, the Committee proposes the following reforms to the privatization process:

- *Develop a clearly defined process for identifying privatization opportunities.*

The state lacks a harmonized protocol to determine the risks and rewards of privatization. Agencies must follow a thorough approach when deciding whether or not to privatize a program or function. A template of guidelines and expectations must be developed. Clear guidelines will ensure that determinations follow sound business models<sup>53</sup>.

- *Create an independent privatization review board composed of experts appointed by policymakers.*

The board would review and approve the agency's work in each area before the agency is allowed to move on to the next step of a privatization, as well as ensure that state protocols are being followed.

Great care must be utilized when guarding taxpayer funds. Concerns have been raised regarding what has gone into some of the business case analysis for privatization projects and managing expectations for those projects. Because taxpayer dollars are at stake, and have been spent in ways that are not always the most effective or efficient, taking a look at how the state can do things better would be beneficial. A validation and verification system such as the one outlined in SB1805, 81st Legislature might alleviate some of these concerns.

- *Create a privatization process to ensure agency accountability.*

In order to ensure that privatization and outsourcing efforts are properly managed, careful consideration should be given to planning, solicitation, contract writing and contract oversight<sup>54</sup>. The process to ensure agency accountability should include:

- a. *Negotiating vendor responsibility and accountability, as well as vendor representations and warranties.*

By developing contract standards, the state can minimize its risk exposure. Contracts should be carefully reviewed to assess the degree to which vendors are held liable for incomplete projects or damages caused during performance of contracted services. Similarly, the state should carefully evaluate the promises vendors make concerning the quality of their work, its

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suitability for the customer's needs, and the vendor's obligation to repair or replace defective products<sup>55</sup>. *Vendors often try to obtain concessions, such as waivers of liability, limited warranties, caps on damages, etc.*

*b. The State should preserve its right to pursue any remedy available to it.*

These rights would include consequential damages, which are not caused directly or committed by the contractor's breach, but are a consequence of the contractor's breach. For example: An agency hires an IT vendor to develop a computer system. If the system is operational by a particular date, the state will receive a substantial award of federal funds. If the vendor fails to deliver, the State's direct damages are the costs to complete or replace the system. Its consequential damages are the lost federal funds.

*c. Remedies should be strong, flexible, and tailored to the degree of harm to the State, including<sup>56</sup>:*

- The ability to withhold payment when disputes arise.
- Performance requirements that measure results or outcomes rather than resources, coupled with liquidated damages.
- Non-financial remedies that obligate the vendor to perform as required or to provide an acceptable alternative.

*d. Introduce strong financial accountability measures that include:*

- Cost controls that examine the vendor's actual, reasonable costs and allow the agency to reconcile future fees against actual costs.
- Regular financial/progress reporting to determine whether the vendor's resources and facilities are fully utilized. If they are not, the agency can request a reduction in the resources to manage costs.

*e. Use of deliverables-based contract practices<sup>57</sup>:*

A deliverable-based contract is one that is directed at producing a specific product (a deliverable) in a fixed quantity. Deliverable-based contracts often employ a fixed fee payment methodology—the vendor is paid an agreed-upon amount for the deliverable, regardless of its actual costs. If the vendor's costs exceed its estimates, it may suffer a loss. If the agency underestimated the probably value of the work, it may have overpaid.

Service contractors often seek to be paid on volumes rather than on a fixed fee basis. If the vendor can control the volumes (e.g., by improperly requiring the customer to submit multiple requests), it can drive up the cost of the contract and its profit.

Deliverable contracts often forbid payment until the customer has accepted the deliverable. If the deliverable is rejected, the vendor does not get paid. Agencies should maximize the use of deliverables-based contract practices.

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➤ *Consolidation or outsourcing of vehicle and equipment maintenance facilities*

Study the feasibility of consolidating agency vehicle and equipment maintenance into regional centers. In 2005 HB 2702, during the 79th Texas Legislature, abolished the Texas Aircraft Pooling Board (APB). The subsequent consolidation of state aircraft maintenance/servicing may serve as a small scale model to develop others proposals that aim to consolidate TxDOT, TCEQ and TPWD fleet servicing, among others.

## Appendix A



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December 10, 2010

The Honorable Pete Gallego  
Chairman, House Select Committee on Government Efficiency and Accountability  
P.O. Box 2910  
Austin, TX 78768

As a member of the House Select Committee on Government Efficiency & Accountability, I thank you, your staff, and our committee for the effort that has been put forth throughout the interim and into this final report. It is because of this commitment to our charge to find efficiencies and require a more accountable government that I sign onto this report; however, I cannot support the recommendations adopted under Interim Charge 3.

I applaud our committees movement towards more government transparency, efficiency, and accountability. Specifically, recommendations to utilize information technology to allow for a paperless system; reducing the state's \$157 million on in-state travel costs by using videoconferencing; creating an online "civic forum" to increase public participation in government where every Texan can report fraud and abuse, or submit suggestions and complaints; and increasing the usage rate on state garages, that at times are otherwise vacant, to generate needed revenue. I believe that each of these recommendations move our state in the right direction.

However, after reviewing the report, I do not agree with the recommendations under Interim Charge 3. It is my belief that when privatization is utilized effectively and transparently by governments, it can create cost savings for taxpayers and drive needed efficiencies. This report suggests creating an independent board to review and approve certain agency processes. This is cumbersome and adds another level of bureaucracy; this is not efficient. This and other recommendations under Interim Charge 3 seemingly detract from my belief that privatization can be beneficial and I therefore cannot in good faith support these recommendations.

Again, I appreciate the effort you and your staff have put into this throughout the interim and look forward to tackling some of these issues during the 82nd Legislative Session.

Sincerely,

A handwritten signature in cursive script that reads "Diane Patrick".

Diane Patrick, Ph.D  
State Representative  
Arlington, Pantego, Dalworthington Gardens

COMMITTEES  
HIGHER EDUCATION • PUBLIC EDUCATION

## Appendix B

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**ROB ORR**  
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The Honorable Pete Gallego  
Chairman, House Select Committee on  
Government Efficiency and Accountability  
P.O. Box 2910  
Austin, TX 78768

Dear Chairman Gallego,

I wish to thank you for your hard work and due diligence in compiling the House Select Committee on Government Efficiency and Accountability's interim report. I also would like to thank Speaker Joe Straus for creating the Select Committee to examine these important issues. The report contains numerous excellent and beneficial recommendations. However, I have reservations in regard to the report's treatment of Charge No. 3 which instructs the Select Committee to "Study the advantages and disadvantages of privatization, including a review of previous findings, in order to make policy recommendations, as needed."

Privatization, when created and implemented appropriately by government, is an effective tool that can increase efficiency, decrease spending, and create opportunities for businesses across the state to succeed in providing necessary goods and services. I believe that the creation of an "independent privatization review board" creates an unnecessary barrier to privatization efforts. The privatization process is not standard across all agencies-- it necessarily varies according to the specific circumstances surrounding each project. This calls into question the wisdom behind forcing agencies to adhere to cumbersome protocols and procedures that may not be applicable to their individual efforts. The unintended consequences that these recommendations could have on the privatization process will have effects that reach far beyond the individual state agencies.

It is for this reason that I respectfully decline to sign the report for Charge 3 though overall am satisfied with the other parts of the report.

Again, thank you for you and your staff's hard work and for the opportunity to participate in the process and have some of my ideas included in the report. I look forward to working with you on these and other important issues in the 82nd Legislature.

Sincerely,

A handwritten signature in cursive script that reads "Rob Orr".

Representative Rob Orr

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## ENDNOTES

- <sup>1</sup> Based on budget data found in the Legislative Budget Board's Fiscal Size-up for the 2004-2005 and the 2010-2011 biennium, the Federal Funds and General Revenue portions of the budget grew by 67.05% and 34.86% respectively
- <sup>2</sup> <https://ourcpa.cpa.state.tx.us/allocation/HistSalesResults.jsp>
- <sup>3</sup> Testimony by Wayne Pulver, Assistant Director, Legislative Budget Board on May 12, 2010
- <sup>4</sup> Testimony by John Miri, Senior Fellow, Center for Digital Government on May 12, 2010.
- <sup>5</sup> <http://www.window.state.tx.us/services/>
- <sup>6</sup> Data provided by the Legislative Council's Document Production Division, October 27, 2010.
- <sup>7</sup> Texas Comptroller of Public Accounts, Where the Money Goes (<http://www.texasransparency.org/moneygoes/>)
- <sup>8</sup> Information provided by Texas Legislative Council to the Committee.
- <sup>9</sup> Currently there are multiple web links and phone numbers for this purpose, such as the one used by the Legislative Budget Board: [http://www.lbb.state.tx.us/Perf\\_Rvw\\_Agy/Perf\\_Rvw\\_Agy.htm](http://www.lbb.state.tx.us/Perf_Rvw_Agy/Perf_Rvw_Agy.htm)
- <sup>10</sup> These would include sites such as the CPA's Texas Transparency web site (<http://www.texasransparency.org/>), as well as the SAO's Electronic Classification Analysis System (E-Class), used to search agency salary and personnel data. (<https://sao.hr.state.tx.us/apps/eclass/%28S%28obxjav454xhhci45bxh5v2qz%29%29/default.aspx>)
- <sup>11</sup> Testimony by Dustin Haisler, Assistant City Manager and Chief Information Officer, City of Manor on June 29, 2010. (<http://blogs.wsj.com/digits/2010/03/24/a-hotbed-of-tech-innovation-the-government-of-manor-texas/>),
- <sup>12</sup> <http://www.whitehouse.gov/save-award>
- <sup>13</sup> Testimony by Matthew Berke, President, LPB Energy Management on August 17, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>14</sup> From "Texas State Government Effectiveness and Efficiency, Selected Issues and Recommendations," prepared for the 81st legislature by the Legislative Budget Board.
- <sup>15</sup> Detailed discussion found in the Legislative Budget Board's Effectiveness and Efficiency Report (81st) from page 369. [http://www.lbb.state.tx.us/Performance%20Reporting/TX\\_Govt\\_Effective\\_Efficiency\\_Report\\_81st\\_0109.pdf](http://www.lbb.state.tx.us/Performance%20Reporting/TX_Govt_Effective_Efficiency_Report_81st_0109.pdf)
- <sup>16</sup> From "Texas State Government Effectiveness and Efficiency, Selected Issues and Recommendations," prepared for the 81st legislature by the Legislative Budget Board.
- <sup>17</sup> Subsection adapted from "Reduce the prison population by reducing parole process delays" in "Texas State Government Effectiveness and Efficiency" published by the Legislative Budget Board in 2009. Available at: ([http://www.lbb.state.tx.us/Performance%20Reporting/TX\\_Govt\\_Effective\\_Efficiency\\_Report\\_81st\\_0109.pdf](http://www.lbb.state.tx.us/Performance%20Reporting/TX_Govt_Effective_Efficiency_Report_81st_0109.pdf))
- <sup>18</sup> Testimony by Ryan McNeill, Computer-assisted reporting editor, The Dallas Morning News on April 6th, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>19</sup> The Texas Tribune (<http://www.texastribune.org/multimedia/>)
- <sup>20</sup> Texas Administrative Code Title 13, Part 1, Chapter 6, Subchapter A, Rule §6.10 (<http://info.sos.state.tx.us/fids/200702779-1.pdf>)
- <sup>21</sup> Testimony by Matthew Berke, President, LPB Energy Management on August 17, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>22</sup> Texas Legislative Council's Computer Support Center (<http://cscweb/TrainingCenter/trainingCenter.html>)
- <sup>23</sup> State Energy Conservation Office ([http://www.seco.cpa.state.tx.us/schools/sch-gov\\_training.php#resources](http://www.seco.cpa.state.tx.us/schools/sch-gov_training.php#resources))
- <sup>24</sup> (<http://www.wlug.org.nz/EnterpriseSpeak>) by Travis Anderegg
- <sup>25</sup> <http://www.erp.com/component/content/article/324-erp-archive/4407-erp.html>
- <sup>26</sup> Testimony by John Miri, Senior Fellow, Center for Digital Government on May 12, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>27</sup> Testimony by Dr. Konana, Professor of Information Management, McCombs School of Business on May 12, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>28</sup> Pursuant to HB 3560, 80th Legislature, Effective September 7, 2007.
- <sup>29</sup> State of Texas Procurement Manual, Section 1.0, (<http://www.window.state.tx.us/procurement/pub/manual/1-0.pdf>)
- <sup>30</sup> State of Texas Procurement Manual (<http://www.window.state.tx.us/procurement/pub/manual/>)
- <sup>31</sup> Texas Department of Transportation (TxDOT) Internal Audit, General Services Division (TxSmartBuy) Function (1302-3), Department-wide Report, May 12, 2010.
- <sup>32</sup> Department of Information Resources' ICT Cooperative Contracts (<http://www2.dir.state.tx.us/ict/Pages/contracts.aspx>).

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- <sup>33</sup> DIR Strategic Sourcing Initiative, 2007 - <https://www.dir.state.tx.us/pubs/sourcing/sourcing20071201.pdf>
- <sup>34</sup> Based on budget data found in the Legislative Budget Board's Fiscal Size-up for the 2004-2005 and the 2010-2011 biennium, the Federal Funds and General Revenue portions of the budget grew by 67.05% and 34.86% respectively.
- <sup>35</sup> Texas Legislative Budget Board's Fiscal Size-up 2004–05, December 2004 P.13 ([http://www.lbb.state.tx.us/Fiscal\\_Size-up\\_Archive/Fiscal\\_Size-up\\_2004-2005\\_1203.pdf](http://www.lbb.state.tx.us/Fiscal_Size-up_Archive/Fiscal_Size-up_2004-2005_1203.pdf))
- <sup>36</sup> The State of Texas Procurement Manual, Section 1.0, Page 2 (<http://www.window.state.tx.us/procurement/pub/manual/1-0.pdf>)
- <sup>37</sup> As outlined in the Comptroller of Public Accounts' Spend Pattern Assessment, Final Report, June 8,2010.
- <sup>38</sup> State of Texas, Comptroller of Public Accounts, Spend Pattern Assessment, Final Report, June 8,2010.
- <sup>39</sup> State of Texas, Comptroller of Public Accounts, Spend Pattern Assessment, Final Report, June 8,2010.
- <sup>40</sup> Texas Multiple Award Schedule (<http://www.window.state.tx.us/procurement/prog/txmas/>)
- <sup>41</sup> Testimony by Bob Williams, Evergreen Freedom Foundation, American Legislative Exchange Council (ALEC), June 29, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>42</sup> Testimony by Scott Kelley, University of Texas System, Deputy Executive Director, Operations and Statewide Technology Sourcing on May 12, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>43</sup> DIR's Information and Communications Technology (ICT) Cooperative (Co-op) Contracts program (<http://www2.dir.state.tx.us/ict/overview/Pages/overview.aspx>)
- <sup>44</sup> An Audit Report on the Supplemental Nutrition Assistance Program at the Health and Human Services Commission. State Auditor's Office, March 2010 (<http://www.sao.state.tx.us/reports/main/10-026.html>).
- <sup>45</sup> Testimony by Beth Wick, Program Manager, 2-1-1 Texas I&R Network, Health and Human Services Commission, April 6th, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81> )
- <sup>46</sup> Testimony by Celia Hagert, Senior Policy Analyst, Center for Public Policy Priorities, June 29, 2010. ([www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81](http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81) )
- <sup>47</sup> Testimony by John Miri, Senior Fellow, Center for Digital Government on May 12, 2010. (
- <sup>48</sup> Testimony by Celia Hagert, Senior Policy Analyst, Center for Public Policy Priorities, June 29, 2010. ([www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81](http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81) )
- <sup>49</sup> Testimony by Celia Hagert, Senior Policy Analyst, Center for Public Policy Priorities, June 29, 2010. ([www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81](http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81) )
- <sup>50</sup> Testimony by Brian Collister, Investigative Reporter, WAOI-TV San Antonio, June 29th, 2010. ([www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81](http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81))
- <sup>51</sup> Testimony by Ryan McNeill, Computer-assisted reporting editor, The Dallas Morning News on April 6th, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>52</sup> Testimony by Steve Aragón, Chief Counsel, Health and Human Services Commission, June 29, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>53</sup> Testimony by Celia Hagert, Senior Policy Analyst, Center for Public Policy Priorities, June 29, 2010. ([www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81](http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81) )
- <sup>54</sup> Testimony by Steve Aragón, Chief Counsel, Health and Human Services Commission, June 29, 2010. (<http://www.house.state.tx.us/video-audio/committee-broadcasts/committee-archives/?committee=284&session=81>)
- <sup>55</sup> See HHSC Uniform Terms and Conditions ([http://www.hhsc.state.tx.us/about\\_hhsc/contracting/rfp\\_atth/General\\_TC.pdf](http://www.hhsc.state.tx.us/about_hhsc/contracting/rfp_atth/General_TC.pdf))
- <sup>56</sup> See HHSC Uniform Terms and Conditions ([http://www.hhsc.state.tx.us/about\\_hhsc/contracting/rfp\\_atth/General\\_TC.pdf](http://www.hhsc.state.tx.us/about_hhsc/contracting/rfp_atth/General_TC.pdf))
- <sup>57</sup> See Department of Information Resources' Deliverables-Based Information Technology Services – Request for Offer (<http://www1.dir.state.tx.us/store/dbits/doc/20090220orientation.htm>)