

Neal Johnson brief for Center for State Innovation meeting:
Increasing Jobs through High-Road, Revenue-Neutral Innovations

Thanks & Mission

- Thank you for the opportunity to speak with you and your listeners about this important topic during our nation's difficult economic passage.
- The mission of Pew Center on the States' Government Performance Project is to improve service to the public by strengthening state policy and performance, so I am delighted to be here today.
- There are important lessons to learn from states that are finding opportunities to cut costs while maintaining or improving the services that matter to the public. Based on our review of all 50 states, we have identified innovative and proven strategies that states are using to manage their information, workforces, infrastructure,
- One crucial area that I want to speak to today is procurement. If states are looking for ways to save money, **smarter spending is essential**. Just as your family goes to the bargain store when times are tight, states need to more closely examine their spending habits. To do this, states and their subunits are teaming up to save money.
- This year, legislators in at least nine states introduced proposals to encourage different units of government to share services to trim spending. Among tasks proposed for streamlining: buying cafeteria food in bulk for multiple school districts, using purchasing pools to buy computers at discount rates, and combining payroll departments for several city halls.
- To their credit, Washington and Oregon have been part of a **consortium of 46 states** that have saved billions in consolidated purchases of computers and other products. On laptop computer purchases alone, these states recently negotiated a 25% discount that saved them \$2.5 billion.

- In addition, **Washington** is to be commended for this year's new initiative to take a fresh look at sharing services across state agencies – including further consolidation of information technology.
- There is an interesting development in **Minnesota** and **Wisconsin**, which are breaking new ground in exploring ways to combine some services that each state has operated independently until now.
 - Heavy equipment
 - Software licenses
 - Food at state facilities
- What the governors of Minnesota and Wisconsin did was to direct their agency heads to sit down together, review both states' services and business practices, and identify ways that they could combine purchases, share equipment, or even consolidate services such as call centers or some correctional facilities. The initiative still in its early stages, but promising.
- **The bottom line is that consolidated spending can save states millions but many states do not have a consolidated view of how state funds are spent**, including the number of vendors and the price paid per unit for many common purchased goods and services. However, when they do develop such a consolidated view, the benefits can be enormous.
- For example, **Georgia** began examining its \$5.7 Billion spend for the state's 123 agencies in 2005 and consolidated purchases. As a result, the state reports \$100 million savings on contracts for supplies, equipment and services.
 - The Pew Center on the States' Government Performance Project is actively working with Governor Perdue and a host of state and private-sector partners to find additional savings by including the universities and colleges in the state spending analysis.
 - We are also working with this team to build a comprehensive state spending analysis tool that can be used by other states to explore opportunities for cost savings similar to the ones that Georgia has reaped.
- Reforming purchasing habits takes time and money but the effort pays for itself many times over.