

# Package Summary

## GOVERNOR'S OFFICE ACTION REQUEST

**FROM: Agency / Dept.** Government Operations Agency

**DATE:** October 9, 2013

**Contact:** Nancy Farias, Deputy Secretary, Legislation

**Phone:** 916-651-9373

**INFORMATIONAL** Item in BLUE FOLDER  
**ACTION** Item in RED FOLDER

- Letter / Material for Signature
- Approval of Action Requested
- Informational Materials

Packages seeking approval of action should be accompanied by a concise memo explaining the issues and the reasons for the recommendation.

**ACTION DUE BY:** NA

**Re:** Budget Solutions Task Force

**DESCRIPTION OF PACKAGE:**

First report from the Budget Solutions Task Force.

**APPROVED**

X

  
\_\_\_\_\_  
Agency Secretary / Department Director

**Date**

10/09/2013

*Packages with significant fiscal impact must be reviewed by Department of Finance.*

**APPROVED**

\_\_\_\_\_

See Signature inside  
Department of Finance

**Date**

\_\_\_\_\_

*(Signature required ONLY if there is a fiscal impact)*

**Governor's Office Comments to Agency:**

✓ Reviewed by John Lu - no comments  
✓ Dana Williams

10/29 - Approved ~~NA~~ by G.O.

600-833



## GOVERNOR'S OFFICE ACTION REQUEST

**TO:** Nancy McFadden, Executive Secretary  
Office of Governor Edmund G. Brown, Jr.

**FROM:** Marybel Batjer, Secretary  
Government Operations Agency

Julie Chapman, Director  
California Department of Human Resources

Michael Cohen, Director  
Department of Finance

**DATE:** October 4, 2013

**SUBJECT:** Budget Solutions Task Force

Request for Approval

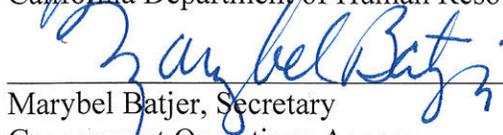
Informational

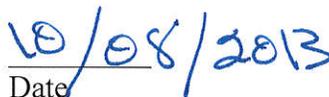
**SUMMARY:** The Side Letter to the SEIU Memorandum of Understanding dated June 21, 2012 was negotiated to assist the State in achieving 2012-2013 Budget Savings to state employee compensation. The Budget Solutions Task Force was created during this negotiation. The purpose of the task force is to identify savings by the reduction of the use of contractors and contract employees who currently perform work which could be performed by state employees. The task force will issue reports making recommendations regarding their findings with respect to which contracts may be cancelled or reduced by the State as a budget solution. The first report is attached. SEIU, CalHR, DOF and DGS committee members have all approved this report.

**APPROVED:**

  
\_\_\_\_\_  
Julie Chapman, Director  
California Department of Human Resources

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Marybel Batjer, Secretary  
Government Operations Agency

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Michael Cohen, Director  
Department of Finance

  
\_\_\_\_\_  
Date



## MEMORANDUM

Attached please find the pertinent section of the Side Letter to the SEIU Memorandum of Understanding dated June 21, 2012, which established the Budget Solutions Task Force.

The task force met multiple times with the listed departments to review vendor contracts. As a result of the meetings and reviews, the task force has completed their first joint report.

The task force members are listed below:

### SEIU Participants

Miguel Cordova  
Kimberly Cowart  
Jana Ellingson  
Marie Harder  
Margarita Maldonado  
Jack McGlenn

### State Participants

Stephen Booth  
Amy Hinchee  
Pam Manwiller  
Koreen Martone  
Mark Veatch  
David Zocchetti

The committee eagerly awaits your feedback on this report.

A handwritten signature in black ink, appearing to read "Margarita Maldonado".

Margarita Maldonado, SEIU  
Vice President of Bargaining

A handwritten signature in blue ink, appearing to read "Pam Manwiller".

Pam Manwiller, CalHR  
Deputy Director of Labor

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# BUDGET SOLUTIONS **TASK FORCE**

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**Joint Report #1, AUGUST 2012 – AUGUST 2013**



## INTRODUCTION

### **Purpose and Scope of Task Force's Work**

The Contracting Task Force ("Task Force") is a joint effort by the State of California and the Service Employees International Union (SEIU Local 1000) for the purpose of identifying the potential cost savings in the area of external contracting. On or about June 23, 2012, the state and SEIU Local 1000 reached a tentative agreement (an addendum to the 2010 - 2013 Memorandum of Understanding) regarding efforts to assist the state in achieving Fiscal Year 2012-13 budget savings.

The makeup of the Task Force includes representatives from SEIU Local 1000 and representatives from the Department of Human Resources (CalHR), the Department of Finance (DOF) and the Department of General Services (DGS).

The Task Force was established with the following four specific goals:

- *Identifying priority contracts in the state's electronic Contract and Procurement Registration System (eSCPRS);*
- *Reducing the use of contractors and contract employees performing work that could be appropriately performed at less expense to the state by state employees;*
- *Developing plans to transfer work currently performed by outside contractors to state employees; and,*
- *Reduce the cost of contracting out services.*

### **Summary of Task Force's First Report**

This report encapsulates the methodology used by the Task Force, a discussion of specific contracts reviewed, and proposes some preliminary observations and possible recommendations to improve civil service utilization with the overarching intent of cost reduction.

### **Methodology**

A basic assumption was discussed at the first meeting of the Task Force, and all representatives involved understood that the work of the Task Force does not supersede the legal rights of SEIU Local 1000 to challenge the validity of contracts through other avenues including Government Code Section 19130 and that this Task Force process was in no way related to the requirements of Government Code Section 19130.

SEIU Local 1000 provided a list of 47 state contracts to the Task Force which contained data obtained from the DGS on-line database (known as eSCPRS). The contracts represent a diversity of services including: architectural & engineering services, information technology, nursing, pharmacy technician work, printing and student assistants. CalHR obtained copies of all the contracts requested and provided copies to the Task Force members. The Department of Finance provided a costing template of variables to be utilized in the comparison of contractor costs against those incurred by performing work with civil service staff. The members of the Task Force agreed to discuss priority contracts as proposed by SEIU Local 1000. Below is a summary of the first five of those priority contract discussions.

# BUDGET SOLUTIONS TASK FORCE

## CONTRACTS DISCUSSED AND DEPARTMENT RESPONSES

### Department of State Hospitals (DSH)

- Registered Nurses (RNs)
- Coalinga State Hospital was activated in 2005.
- Contracts discussed *September 25, 2012* and *October 16, 2012*

Three contracts (nursing registries) for RNs were reviewed and discussed by the Task Force. Discussions focused on the use of the contracts and what DSH was doing to limit the use of the registry.

It appears that the use of registries has diminished and is used primarily when DSH is unable to fill shifts or obtain volunteers for overtime. Notably, the state pays the registry contractor for 80 hours of required training before nurses are available to work on the floor of any particular unit. DSH noted some registry staff wanted to become permanent employees, and DSH has encouraged those employees to apply for permanent civil services positions. It was expected that 3 registry nurses would be hired into civil service positions, bringing DSH's vacant positions to 8. This is a result of the unique patient population of DSH facilities.

Recruitment has been challenging at the Coalinga facility as a result of geographic location and patient population. DSH has attempted to hire more civil service staff through recruitment fairs. SEIU Local 1000 proposed utilizing in-house registries and recruitment through in-house community colleges, such as San Joaquin Valley Delta College. Coalinga State Hospital is using a mentoring program for new hires and management has received very positive feedback from their RNs.

### Department Of Child Support Services (DCSS)

- Child Support Enforcement System (IT Contract)
- Contract discussed *September 25, 2012*

DCSS has a \$71 million dollar maintenance and operations (M&O) contract for their Child Support Enforcement System. The system went live in 2008 under the direction of an outside contractor, and the system was taken over by DCSS in 2011. Although currently under the direction of DCSS, DCSS believes the special skills of the contractor will continue to be needed for some limited time. It was also noted that labor rates for certain positions called for by the contract appeared to be considerably higher than civil service. According to DCSS, 200 civil service information technology staff will eventually be needed to replace contracted staff.

DCSS plans to continue to monitor employee workloads and identify positions critical to civil service and the needs of the system. DCSS is having the state employees work side-by-side with the contract employees for the purpose of knowledge, skills and ability transfer to state employees. The department indicated it was difficult to get new permanent civil service positions approved through DOF. Unfortunately, the Standard 215 form for the contract was not available to review Government Code 19130 justification.

## CONTRACTS DISCUSSED AND DEPARTMENT RESPONSES

### Financial Information System for California (FI\$Cal)

- IT contract
- Contract discussed *October 16, 2012* and *November 2, 2012*

FI\$Cal is a business transformation project for state government focusing on budgeting, accounting, procurement and cash management. FI\$Cal will prepare the state systems and workforce to function in an integrated financial environment.

It was noted that a \$13 million dollar M&O contract for FI\$Cal has commenced although full implementation of the system is not until 2016. FI\$Cal anticipates that some earlier waves and project segments will be functioning prior to full project implementation and will need maintenance. This portion of the contract reviewed by the Task Force is only for the Maintenance and Operations of the FI\$Cal project

FI\$Cal is currently having state employees work side-by-side with contractor staff for the purpose of knowledge, skills and abilities transfer to the state workforce. It is extremely important that state employees have the knowledge, skills and abilities to maintain the system after it is turned over to the state when the M&O portion of the contract takes effect in Fiscal Year 2014-15. FI\$Cal understands it is critical for the contractor to focus on knowledge, skills and abilities transfer during the period of time when waves of departments are brought into the FI\$Cal system. As departments go live, a stabilization period is to be expected, and, if problems arise, the contractor and state employees are to work together to find the solutions. FI\$Cal does have contract monitor-

ing staff whose role is to hold the contractor accountable for all specified deliverables, standards and quality.

### California Correctional Health Care Services (CCHCS)

- Pharmacy Technicians
- Contracts discussed *January 16, 2013*

The Task Force reviewed the contract for temporary relief services for Pharmacy Technicians for a two-year duration. This contract for temporary relief services has been in place since approximately October 2005. The most common reason for CCHCS to use the contract is for temporary relief services to cover long term illnesses, injuries or retirements.

CCHCS is working towards developing best practices, but their structure and clients are unlike the private sector, e.g., Kaiser or Walgreens. The license requirements are the same, but there are different duties in a prison setting. General duties in a prison setting include stocking shelves, inventory of narcotics, pick-up and delivery, typing labels, prepping and assisting the Pharmacist with prescriptions, and entering patient information into their profile.

The Task Force discussed options for greater utilization of permanent intermittent civil service staff, including an in-house registry to cover absences. Records show that in July 2011, hours billed for registry pharmacy technician positions were the equivalent of 98 full-time positions. By contrast, at the time the Task Force discussed these services, there were 130 full-time equivalent civil service pharmacy technicians while the current totals are now down to around 40.

## GENERAL ISSUES, OBSERVATIONS AND RECOMMENDATIONS

**During the period of time the Task Force has met, there have been a number of general issues identified and observations made by the committee. Each of these items warrants further evaluation in order to establish its efficacy and potential costs savings across state government enterprise. The committee believes the potential for cost savings through more efficient or reduced outside contracting makes further evaluation worthwhile.**

Below are the first observations and preliminary recommendations:

- **Improve Transparency of Contract Registration System** – The state’s external contracting is not sufficiently transparent. The state tracks external contracting in a number of different ways. The state’s primary tool for tracking contracts, eSCPRS, does not always have sufficient information to evaluate contracting trends and other key issues regarding contracts, such as actual contract utilization. Consideration should be given to developing a more transparent and comprehensive system for tracking information about external contracting, so that both the state and third parties can evaluate the appropriateness of contracts awarded.
- **Create Internal Pools to Meet Short-Term Staffing Needs** – In some instances, contracts are used to temporarily fill vacancies, back-fill for staff that are on leave, address spikes in caseload, or to resolve perceived gaps in current staff expertise. There may be a benefit in reduced costs and improved service in creating internal pools or registries of state employees in specific technical or professional classifications (e.g., IT, pharmacy technicians, nurses, etc.). These employees would be permanent state employees that could be used on an intermittent basis, as needed, to meet short-term staffing shortfalls or fill the need for a particular area of technical expertise. In some cases, these pools of employees could possibly be shared between state departments, reducing the need for contractors and building expertise within the civil service cadre. These options are items which may be raised in future collective bargaining sessions.
- **Improve Training of State Employees** – Where the state repeatedly contracts for a particular type of service (e.g. IT) because specific expertise may be lacking in the state civil service, attention should be given to provide the appropriate training to current state employees. There should also be plans to transfer knowledge between contractors and state employees. This is intended to reduce the need for regularly occurring contracts that result from the lack of civil service experts.
- **Improve Training for Contract Oversight** – Consideration should be given to enhance training of the state’s contract managers and procurement officials to better ensure that state procurement rules are followed and that contracts, once awarded, are appropriately managed. The state’s procurement laws are generally established to ensure a fair and competitive procurement process and to facilitate the state getting the best value for its investments. For a number of reasons identified by departments, including issues with retaining qualified staff, increasingly complex projects and lack of specialized training, consideration should be given to increased and/or consistent oversight of contracting rules by awarding agencies.

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# BUDGET SOLUTIONS TASK FORCE

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## **GENERAL ISSUES, OBSERVATIONS AND RECOMMENDATIONS**

- **Update State's Desired Qualifications for Technical and Professional Classifications** - The state often uses external contractors because it is unable to recruit state employees with the necessary skills and experience. The state's desired qualifications for technical and professional classifications should be reviewed and, if necessary, updated and aligned with current industry standards. A more robust effort may help to recruit staff in technical areas, including more partnerships with colleges.

## CONCLUSION

Much work needs to be done to continue identifying potential savings from contracting and utilizing civil service staff. During the first five months of the Task Force's activities, only a small sampling of contracts were reviewed, so the recommendations above will need to be refined or expanded as the process continues. At this early stage of the Task Force's efforts, there may be opportunities for improving the contracting system and possibly reducing the state's costs. The state could consider efforts to create more transparency in the contracting process, improve training of current state staff in the areas of contracting and contract management, better utilize existing staff through tools like in-house registries, and upgrade desired qualifications and skills of the state's technical staff. The next steps for the Task Force will be to evaluate whether the trends observed so far are evident across the wide spectrum of state contracts, determine whether there are other areas where there can be improvements consistent with the charge of the Task Force, and finally, develop a comprehensive report of the group's findings.

### **Task Force Members:**

Pam Manwiller, Margarita Maldonado, Mark Veatch, Jana Ellingson, Stephen Booth, Miguel Cordova, David Zocchetti, Kimberly Cowart, Koreen Martone, Jack McGlinn, Amy Hinchee, Marie Harder