



**Department of General Services  
Opening Statement – Secretary Curt Topper  
House Appropriations Hearing  
February 28, 2018**

Good morning Chairman Saylor, Chairman Markosek, and members of the House Appropriations Committee. I am Curt Topper, Secretary for the Department of General Services (DGS). Beside me is Beverly Hudson, Deputy Secretary for Administration.

Thank you for the honor of appearing before you today to discuss the Department's proposed 2018-2019 budget, and how DGS is helping to reshape Commonwealth operations and deliver a government that works.

As you know, DGS doesn't typically serve Pennsylvanians directly. Our role is more indirect. We provide the facilities, equipment, goods and services that make it possible for other government agencies – our direct customers – to serve all Pennsylvanians. Our efforts improve the Commonwealth's bottom line and yield valuable resources that can be reinvested to meet critical needs. Because of the visibility that our central role affords, DGS is also able to guide the Commonwealth's overall efforts to meet enterprise goals such as improved diversity and inclusion in our contracting or greater overall energy efficiency.

During the last three years, the DGS team has worked hard to transform our organizational culture and modernize our business processes. Much work remains, but we are now succeeding in our essential new mission: To help government operate more efficiently, effectively and safely; and to deliver exceptional value for all Pennsylvanians.

Every day, we challenge ourselves to run the business of our government more like a business, to employ best practices from industry, and to deliver more value more efficiently than the private sector can. Despite some significant obstacles, we have met these challenges and we are proving that sustained success is possible.

Simply put, the dollars invested in DGS annually by the administration and the general assembly are yielding a consistent, positive rate of return.

**Our earliest efforts, begun in 2015, are now maturing and continuing to bear fruit.**

Restoring commercial best practices such as strategic sourcing and reverse auctions to our procurement toolkit have contributed more than \$200 million in savings to the Commonwealth's bottom line over the last 3 years.

The world class mail processing operation we created in 2016 in the Bureau of Publications continues to rival the efficiency of any similar commercial operation. Its stable, reliable performance now ensures that our agencies' vital mailings to millions of Pennsylvanians arrive in their mailboxes sooner than they used to, with fewer processing errors and at a significantly lower cost than before.

And the Public Works modernization journey we began in early 2016 is now receiving national recognition and awards. Our change order cycle time is down from 74 days to just 7. Our capacity to manage simultaneous projects is improving dramatically, and we are now managing a total design and construction portfolio of \$1.5 billion with an administrative cost of less than one cent on the dollar.

**Our more recent initiatives build on past successes.**

**Telematics.** Within the Bureau of Vehicle Management this year, DGS began installing new telematics technology in the Commonwealth's passenger vehicle fleet. This state-of-the-art system will eliminate much of the paperwork associated with tracking Commonwealth vehicle usage and is expected to result in reduced maintenance, repair and fuel costs approaching \$500,000 per year.

Telematics represents a logical next step as we continue to take a sophisticated, comprehensive approach to managing state vehicles and associated costs. It's critical to look beyond just the numbers of vehicles in the fleet and purchase costs. We need to consider life cycle maintenance costs, the impact of warranties and resale values, inappropriate usage, and the potential costs of mileage reimbursements when employees use personal vehicles for business travel. DGS has been doing this effectively now for many years.

**Energy.** Last year, I testified about the success we had achieved in reducing the Commonwealth's overall energy costs through smarter buying. This year, we began leveraging our energy procurement expertise for the benefit of local municipalities in the COSTARS program. DGS conducted its first online electricity bidding event with 28 COSTARS members participating, resulting in \$177,000 annual savings from the prior year or \$456,000 annual savings from market utility rates. Most contracts were for 4-year terms yielding an impressive \$1.8 million in savings over current market rates.

**Real Estate.** In the spring of 2017, DGS sponsored a "value stream analysis" event involving participants from the Treasury, the Office of the Budget, the Liquor Control Board and a few other customer agencies. The four-day event applied Lean principles to improve the inter-agency process for real estate lease transactions. Historically, it would take an average of 17 months for the Commonwealth to execute a new property lease. Today, because of this event and everyone's hard work to implement changes in the months since, the average lease processing time is less than 6 months.

**Best Value.** By employing similar Lean principles and a new automated system known as Jaegger, our Procurement Bureau has made great progress in reducing the amount of time required to perform requests for proposal processes. This is a critical achievement. Now that an RFP can be done in just a few months, agencies can be encouraged to do more contracting on a best value basis. This in turn will lead to higher quality goods and services at a lower total cost. It will also increase the number of opportunities for small and small diverse businesses to participate.

**Diversity, Inclusion and Small Business Opportunities.** This year, we have continued to work with the Governor's Advisory Council on Diversity, Inclusion and Small Business Opportunities to make certain that the Commonwealth's business practices fully reflect our values. Last spring, the work commenced on the Commonwealth's first-ever comprehensive disparity study – an empirical analysis of all Commonwealth contracts, including PennDOT construction, to determine the extent to which minority, women, LGTQ, disabled, and veteran owned businesses have been under-represented as prime contractors and subcontractors. The results will be available this summer.

**Continuous Improvement.** These accomplishments have all depended significantly on the department's full embrace of Lean management principles. Our management team is relentlessly focused on listening to our customers and improving the value we deliver. We've provided Lean training now to more than 250 DGS staff so far and we are enjoying what I perceive as the beginnings of a cultural transformation. We are challenging our staff, and they are challenging us, every day to find ways to improve the work and to get better results.

I remain immensely proud of the creativity and spirited hard work that the Department's staff has put into our collective effort this year.

I would be happy to take your questions.