

**2020 House Appropriations Committee Budget Hearing
February 25, 2020
Testimony of Secretary Curtis Topper
Department of General Services**

Thank you, Chairman Saylor and Chairman Bradford for the opportunity to appear before the House Appropriations Committee today to discuss the Department of General Services' proposed budget for the coming fiscal year.

I was pleased to read the announcement last week that the House leadership intended to focus this year specifically on promoting greater effectiveness and efficiencies in Commonwealth agencies. Helping our government operate more efficiently, effectively and safely has been my agency's core mission since I was appointed Secretary and we welcome the General Assembly's interest in the topic. We also look forward to working with you to make certain that your recommendations are well-informed and consistent with agencies' operational constraints and imperatives.

DGS has been at the center of the Wolf Administration's successful effort to reduce operating costs and deliver greater value for citizens. Since 2015, we have delivered more than \$200 million in procurement-related savings; we have thoroughly modernized the systems we use to manage construction projects – enabling shorter cycle times and greater project volume; and we have successfully consolidated and insourced print and outbound mail volume across the agencies saving over \$5 million, just to name a few initiatives. Our energy and facilities teams consistently beat private sector benchmarks. DGS has been leading commonwealth agencies with respect to the adoption of lean management principles and we're working to create a more collaborative and performance-oriented culture across our workforce.

We are not perfect, and we have remaining work to do, to be sure, but I couldn't be prouder of the dedication and commitment to excellence that I see daily from our nearly 850 hard-working men and women.

As the General Assembly reviews our budget and engages in its oversight responsibility with a view toward creating greater efficiencies across the commonwealth, I am eager to elaborate on our mission, our strategies, and our successes directly with members. I'm very proud of our work in this area, which stands as a counterpoint to outdated assumptions about fraud and waste, and we wish to be a resource to all of you as you consider any potential legislation meant to address these issues.

Innovation won't result from mandates alone. Private sector best practices and solutions don't always translate directly, or easily, into state government. The needs of the agencies and communities we serve are generally broader and highly more variable than many private sector markets. Our operations are complex, and we can't improve them, even incrementally, without first understanding them in detail and committing to solutions that may require incremental investments of time, energy and resources.

One area of our operation where we've learned this over the last five years is Diversity, Inclusion and Small Business Opportunities (DISBO). Last week, DGS released our annual report for the DISBO program for the fiscal year ending in 2019. The results we reported were unprecedented in Pennsylvania. We achieved a 46 percent year-over-year increase in the total amount of business done with small businesses owned by veterans, minorities, women and members of the LGBT and disabled communities. These businesses accounted for more than \$485 million in expenditures and were better represented in the Commonwealth's overall spending than ever before.

In FY 2015, Commonwealth spending with small diverse businesses was just 4 percent. Now, we are approaching 12 percent and building momentum toward an overall goal of 26.3 percent. Our DISBO program is dramatically more effective today than it was five years ago.

The program is more effective today because we didn't shy away from or attempt to "spin" the 4 percent number back in 2015. Instead, we dug into the program details and data so that we could understand why the percentage was so low and what could be done to drive improvement. One reason the program was failing was because it was only being applied to a small subset of commonwealth procurements – only those that were being awarded using "best value" methods. Another reason it was failing was because the convoluted process for awarding points in procurements made it more difficult for many SDBs to win a part of our business. A third reason it was failing was that the Commonwealth had only been reporting on contract "commitments." The commonwealth wasn't following through to report on the actual dollars spent and we had insufficient contract terms and tools to ensure that commitments were being honored.

In 2015, we embarked on a multi-year effort to improve the program by expanding best value procurements, revising scoring methods and amending contract terms to ensure greater accountability. We engaged agency leadership in a formal liaison program to create a greater sense of shared ownership. We created a new mentorship program to help grow the number of viable SDB competitors in Pennsylvania. We conducted the commonwealth's first-ever comprehensive empirical disparity study and we are now establishing a constitutionally protected goal-setting program that will help ensure improved levels of participation across all significant commonwealth contracts, regardless of the procurement methods used.

I am calling your attention to the improved DISBO program and our recent results because I am proud of the progress that we have achieved. I am also calling your attention to them because the work we have done to improve the program is illustrative of the general approach we have taken since I returned to DGS as Secretary in 2015.

The call for greater levels of small and small diverse business participation in our contracts is nothing new in Pennsylvania. Every governor since Governor Casey has done so. But the Wolf Administration may be the first ever to take a truly systematic, empirically sound approach to solving the problem, and we have made more progress as a result.

This is the approach we have taken to manage our print shop and our fleet. It's the reason our energy purchasing program with the Penn State Facilities Engineering Institute was given an Innovation Award by the National Association of State Chief Administrators in 2019. Our

approach and our talented team members are the reason why I am confident that DGS will achieve its mission and will continue to deliver value throughout the coming year, despite the ongoing challenges we face with limited resources and the deferred maintenance backlog.

I welcome any questions you may have about our budget proposal or the agency.

Thank you.