

## **2010 Innovations Awards Application**

**Deadline: March 1, 2010**

ID # (assigned by CSG): **10-S-18TX**

**Please provide the following information, adding space as necessary:**

State: Texas

Assign Program Category (applicant): Government Operations and Technology

1. Program Name: TxSmartBuy
2. Administering Agency: Texas Comptroller of Public Accounts
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TxSmartBuy – [www.txsmartbuy.com](http://www.txsmartbuy.com)
9. Please provide a two-sentence description of the program.

The Texas Comptroller of Public Accounts developed and manages TxSmartBuy, an online shopping cart system that Texas state agencies and eligible local government entities can use to purchase goods and services from state contracts. This system is a critical component in the state procurement function, and has proved to be a timely and cost-effective method for ordering goods.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 1, 2010 to be considered.

TxSmartBuy went live on Dec. 22, 2008.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

On Sep 1, 2007, the Texas state procurement function was transferred to the Texas Comptroller of Public Accounts. As chief steward of the state's finances, the Comptroller's office serves the citizens of Texas through sensible spending and continuing efforts to reduce costs and maximize savings.

When the Comptroller's office received the statewide procurement function, it also inherited the antiquated technological infrastructure that went with it. In seeking a replacement ordering system, we studied various retail outlets to see how they deliver goods and services in a cost-effective, user-friendly manner. We chose to implement an online shopping cart system similar to those used by popular online retail sites. This new system, called Texas Smart Buy (TxSmartBuy), was necessary to modernize technology for sustained support, as well as an opportunity to improve state business practices.

12. Describe the specific activities and operations of the program in chronological order.

09/01/2008 – Project formally launched; development began.

12/22/2008 – System went “live” with approximately 50 catalogs in parallel with legacy system.

05/01/2009 – All state agencies were using TxSmartBuy; legacy system shut down as contracts moved to TxSmartBuy.

09/01/2009 – Additional functionality improvements and all 785 catalogs loaded into the system.

13. Why is the program a new and creative approach or method?

TxSmartBuy represents a significant change for Texas public procurement. TxSmartBuy is the state of Texas’ first online purchasing system. It provides accurate data on spending habits to help us develop new contracts and maximize the state’s purchasing leverage. The new system also fosters real-time competition among contractors. By making pricing public, we allow contractors to see when their goods and services are priced higher than their competitors and to adjust their pricing to remain competitive.

TxSmartBuy also has greatly increased our collaboration with buyers and sellers of goods and services. With state contracts available online, all governmental customers can see what is available for purchase and recommend new items and categories that should be in the system. We are working with our customers to develop seamless interfaces to TxSmartBuy that will connect the system to customers’ internal accounting and purchasing systems. These innovations will allow customers to upload system data into their internal systems and avoid hand-keying purchase-order information.

The Comptroller’s office has collaborated with its contractors to establish direct connections to contractors’ online ordering systems and catalogs. Many contractors have extremely large inventories and sophisticated ordering systems. We are working with these contractors to connect to their ordering systems to allow our customers to place orders for goods and services and then bring them back to TxSmartBuy to complete the transaction and issue a purchase order. The first of these connections was completed in August 2009.

In addition, statewide and local government purchasing organizations leverage TxSmartBuy for their own use, and achieve similar gains in purchasing power and efficiency. Texas has also been able to eliminate paper mailings and related manual processes, resulting in time and efficiency gains for the state and for vendors.

Finally, the implementation of TxSmartBuy has reduced several major processing steps for both vendors and Texas Procurement and Support Services (TPASS) employees. Several of the steps reduced were manual steps (filling out order forms, hand keying order entries and faxing and mailing paperwork), which has reduced turn around on orders and limited the delays and errors associated with manual paper processing.

14. What were the program’s start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Existing business users, subject matter experts and business analysts were leveraged as part of the project at no additional incremental cost to the state. Any additional costs are recovered by the administrative fee

collected from vendors on each item purchased from TPASS contracts until the total project costs are recovered.

The Comptroller leveraged the existing TexasOnline agreement through the Department of Information Resources to fund the project. Essentially, the TexasOnline vendor, currently NIC USA with Deloitte sub-contracting, covered the up-front costs, and TexasOnline recovers the additional costs by collecting an administrative fee from vendors on each item purchased off of the TPASS contracts until the project costs are recovered.

15. What are the program's annual operational costs?

The TxSmartBuy system is supported and hosted by the TexasOnline vendor, and all maintenance costs are funded via the administrative fee. Once enough fees have been collected to fund the initial implementation project, the Comptroller and TexasOnline will have the opportunity to negotiate a reduced fee to recover only the ongoing maintenance costs.

16. How is the program funded?

The program is funded through an administrative fee that is applied to all contract purchases made for products that are available on TxSmartBuy.com. This administrative fee is collected by TexasOnline, which performs technical maintenance and support activities for the system.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

No

18. What equipment, technology and software are used to operate and administer this program?

The system has been established with shared industry-standard technology using Oracle and Vinimaya software. Shared support resources provide technical assistance, content management and user training.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

Yes

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

Yes, eVA is Virginia's online shopping marketplace that is used by state and local entities for purchasing. However, the system in Texas is more open in that anyone (employees of a state agency or local government purchasing organization, or a citizen) can use the full search and browsing functionality of TxSmartBuy. Actual purchases can only be made to registered, authorized persons; however, TxSmartBuy lends itself to more open, transparent government operations by allowing anyone to view the

costs associated with the materials and services in the system. This gives anyone the ability to review the costs associated with government spending.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

Yes

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

TxSmartBuy has brought transparency to Texas' procurement process. Anyone can use TxSmartBuy to view items available on contract, providing complete transparency for these transactions. If a Texas citizen — or anyone, anywhere in the world — wants to know how much a Texas state agency pays for pencils, he or she can search TxSmartBuy for a quick answer.

Furthermore, in cases involving multiple awards for a product or service, contractors can view others' pricing and make adjustments to remain competitive. This has increased savings to the state as contractors revise pricing to increase their sales. It also helps to establish a "ceiling" for prices on new solicitations. By checking TxSmartBuy, bidders know how much the state has been paying for a particular product or service and, therefore, the price range needed to be competitive. In conjunction with our strategic sourcing initiative, this should result in about \$40 million in savings over the next three years.

Customers can search and browse contractor catalogs by keyword, part number or NIGP commodity code. The system allows users to review price and product details side by side for best value. This feature eliminates the need to search several catalogs for information on a single product. For customers who purchase specific goods or services on a recurring basis, the system can save "shopping carts" for repeat orders.

TxSmartBuy tracks all spending through the system by customer, contractor and NIGP commodity code. For the first time, users can track how each state agency and local government purchasing organization uses specific goods and services. This is vital information because it accurately shows vendors the value of state contracts, and enhances the state's leveraging power.

The new system also reduces the number of steps needed to complete a purchase, and slashes the time required for the delivery of purchase orders to contractors. Under the legacy system, Comptroller staff had to issue a purchase order for each customer. Local governments had to FAX orders to the Comptroller's office, which then would mail the purchase order to the contractor. With TxSmartBuy, customers can browse a large number of catalogs and order from multiple vendors simultaneously; the system automatically sends purchase orders to each contractor as soon as the order is placed. These steps shorten the delivery time for purchase orders by up to a week.

23. How has the program grown and/or changed since its inception?

The program has continued to grow since inception, both in participation and functionality. Dollars spent through the system now exceed the legacy system, due to ease of use and accessibility to cooperative purchasing entities. The system now averages more than \$1 million in orders each day. By the end of 2010, we expect annual orders through the system to total about \$500 million. User and vendor feedback has continuously been incorporated into system requirements and development.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

Other states can expect significant change management challenges in coordinating with numerous customers (state agencies and local government purchasing organizations), as well as educating the

vendor community. For Texas, contract amendments were required with all state contractors, which was a considerable effort.

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#### 2010 Innovations Awards Application

#### Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

#### Infrastructure and Economic Development

Business/Commerce

Economic Development

Transportation

Government Operations and Technology

Administration

Elections

Information Systems

Public Information

Revenue

Telecommunications

Health & Human Services

Aging

Children & Families

Health Services

Housing

Human Services

Human Resources/Education

Education

Labor

Management

Personnel

Training and Development

Workforce Development

Natural Resources

Agriculture

Energy

Environment

Environmental Protection

Natural Resources

Parks & Recreation

Water Resources

Public Safety/Corrections

Corrections

Courts

Criminal Justice

Drugs

Emergency Management

Public Safety