



# **Mobile Telecommunication Device Expenditure Reduction Plan**

**Minnesota Department of Administration  
January 15, 2004**

## **Introduction**

In accordance with the 2003 State Government Finance Omnibus Bill (SS2003, Chapter 1) the Department of Administration has been working with state agencies to reduce mobile telecommunication device usage that is not cost efficient. The Department fulfilled its legislative requirement through three primary activities: (1) development of a revised statewide telecommunication device use and expenditure policy; (2) improvement of mobile telecommunication device purchasing analysis and tools; and (3) updating cabinet-level state agencies' telecommunication device inventories.

## **Legislative Requirement**

Minnesota Session Laws 2003, 1st Special Session, Chapter1, Article 1, Sec. 11, Subd. 2:

*“The commissioner of administration, in consultation with heads of other executive agencies, must identify state agency: (1) telecommunication device usage; and (2) vehicle usage, that is not cost-efficient. The commissioner must implement policies to reduce usage that is found not to be cost-efficient. The commissioner must report to the legislature by January 15, 2004, on implementation of this section, including savings achieved by eliminating usage that is not cost-efficient.”*

## **Background**

The departments of Administration, Employee Relations and Finance provide assistance to agencies in making decisions about mobile telecommunication device expenditures, assignment and usage. Each agency is responsible for determining whether their business needs demand mobile telecommunication tools.

### ***Purchase:***

Materials Management Division (MMD) and the Office of Technology (OT) in the Department of Administration provide advice and resources for agencies considering the utilization of mobile telecommunication services. On behalf of all state agencies, MMD establishes special contracts for the purchase of mobile telecommunication devices and their associated service agreements. Agencies can also utilize their delegated purchasing authority to enter into contracts separately if they are able to secure a better price. The MMD “master contracts” are available to agencies through the MMD website. The Office of Technology provides advice to agencies on the appropriateness of particular telecommunication devices for agencies' business needs.

### ***Assignment/Use:***

The departments of Administration, Employee Relations and Finance in 1995 developed a standard policy for the purchase and use of telecommunication devices by

agencies. This policy sought to balance the need for good management principles with the desire to give agencies the flexibility to purchase and use the tools they need to fulfill their missions. This policy was revised in April of 2002. In October 2002, the Department of Employee Relations issued a statewide policy on the “Appropriate Use of Electronic Communication and Technology.” This policy outlines department head and employee responsibilities related to the use of state property including cell phones and other mobile telecommunication devices.

***Expenditures:***

The Minnesota Accounting and Procurement System (MAPS) jointly managed and operated by the departments of Administration and Finance currently codes mobile telecommunication device expenditures into a general “communications” category.

## **Methodology for Decreasing Expenditures**

By developing consensus among state agencies on a revised mobile telecommunication device policy, coupled with purchasing guidance and resources, the Department of Administration is helping state agencies better manage their investment in mobile telecommunication tools.

***Revised statewide policy:***

The statewide mobile telecommunication device policy was last updated April 18, 2002. After reviewing the policy internally in the summer of 2003 to ensure that it met appropriate management principles, the Department of Administration presented it to all state agency deputy commissioners for their comments and suggestions. Agencies submitted their remarks on an internal online message board and Department of Administration staff adjusted the policy appropriately to reflect their comments. This review/comment period reinforced important principles, including the requirement that employees and managers review and approve billing documents from cellular carriers before payments are released. The new statewide policy was re-issued in the MAPS system on October 8, 2003. All state agencies are required to comply with the policy.

The policy addresses several important management principles:

- Procurement process
- Vendor payment process
- Employee expense reimbursement process
- Annual review of cellular plans required
- Personal use that results in additional state costs **MUST** be reimbursed
- Improper use must result in appropriate disciplinary action.

### ***Improved purchasing analysis and tools:***

The Materials Management Division and Office of Technology at the Department of Administration have stepped up their efforts towards securing the best possible tools and prices to meet state agencies' mobile telecommunication needs.

MMD is a founding member of a multi-state purchasing initiative, Western States Contracting Alliance (WSCA.) The philosophy behind WSCA is that best pricing will be obtained through the highest volume of aggregated government purchases. WSCA contracts provide savings to the State through three types of discounts. The initial discount is a negotiated reduction from the vendor's standard price list. A second discount is available on a "per transaction" basis for large orders. A third discount has been negotiated based on cumulative volumes. Minnesota is one of five states (along with California, Idaho, Nevada and New Mexico) that evaluated the vendor proposals for WSCA's wireless communications contracts.

During 2003, MMD awarded six contracts for mobile telecommunications equipment and services. Four of the six contracts (AT&T Wireless, Nextel Communications, Sprint PCS and Verizon Wireless) piggyback on multi-state contracts developed by the Western States Contracting Alliance (WSCA). Two contracts were non-WSCA contracts with Minnesota vendors (Midwest Wireless -- Mankato; Rural Cellular -- Alexandria) to assure availability of good regional coverage.

In conjunction with MMD's work, the Office of Technology has assumed a more active role in the State's telecommunications strategy, especially in regard to emerging technologies and architectural direction. As this effort moves forward, OT plans to examine the mobile technology landscape and the various options available to the enterprise. This will result in the creation of mobile telecommunication standards for state agencies, allowing MMD to leverage additional purchasing opportunities on an enterprise level.

Finally, in response to recent attention on mobile telecommunication device expenditures, a MAPS workgroup is considering the inclusion of a specific expenditure category for mobile telecommunication devices such as cellular phones, pagers and other mobile telecommunication devices. This change will assist agencies in managing these expenditures.

## **Outcome**

During autumn of 2003, the Department of Administration asked agencies to update their mobile telecommunication device count and expenditure inventories. Specifically, agencies were asked to finalize their FY2003 numbers and estimate their costs for FY2004. If expenditures did not decline, they were asked for an explanation. Detailed inventory information is attached.

State agencies estimate that by the end of FY2004, their mobile telecommunication device expenditures will be reduced 11 percent compared to FY2002. The number of devices has been reduced as well. There are 1,459 (7%) less mobile telecommunication devices since agencies reported their inventories in March 2003.

FY 2002 Total Cost	FY2003 Total Cost	% change from FY02	<i>ESTIMATED FY2004 Cost Annualized</i>	<i>ESTIMATED % change from FY03</i>	<i>ESTIMATED % change FY02-FY04</i>
<b>\$ 5,541,466</b>	<b>\$5,245,298</b>	<b>-5%</b>	<b>\$4,923,009</b>	<b>-6%</b>	<b>-11%</b>

Inventory date	Total # of Cell Phones	Total # of Pagers	Total # of Other Mobile Telecomm Devices	Total # All Telecomm Devices
3/4/2003	6,599	4,737	9,682	21,018
12/1/2003	6,139	3,817	9,603	19,559
<b>Change</b>	<b>(460)</b>	<b>(920)</b>	<b>(79)</b>	<b>(1,459)</b>

Five agencies reported an increase in estimated FY2004 mobile telecommunication device expenditures over their FY2003 costs. For those agencies, special circumstances such as a relocation, the purchase of a warranty, and homeland security needs accounted for the increases.

## Future Steps

The Department of Administration will continue to work with agencies to provide the resources and tools necessary to make cost-effective investments in mobile telecommunication devices and services. The MAPS policy related to telecommunication device use and expenditures will be reviewed at timely intervals to ensure that it is keeping pace with changing technology and to guarantee that agencies are complying with its requirements. The Materials Management Division at the Department of Administration will continue to negotiate the best possible pricing for these tools and services, including the possible use of reverse auction for the purchase of mobile telecommunication devices for agencies. Finally, the Office of Technology's renewed mission of promoting shared purchasing and services is ideally suited for maximizing the State's investment in these business tools. Efficiencies will be realized as this sharing strategy becomes common practice for state agency management and staff.

# SUMMARY

Inventory date	Total # of Cell Phones	Total # of Pagers	Total # of Other Mobile Telecomm Devices	Total # All Telecomm Devices
3/4/2003	6,599	4,737	9,682	21,018
12/1/2003	6,139	3,817	9,603	19,559
<b>Change</b>	<b>(460)</b>	<b>(920)</b>	<b>(79)</b>	<b>(1,459)</b>

Agency Name	FY 2002 Total Cost	FY2003 Total Cost	% change from FY02	<u>ESTIMATED</u> FY2004 Cost Annualized	<u>ESTIMATED</u> % change from FY03	<u>ESTIMATED</u> % change FY02-FY04
Administration (includes Admin & MnPlanning)	\$ 124,883	\$106,887	-14%	\$94,992	-11%	-24%
Agriculture	\$ 65,926	\$57,803	-12%	\$49,236	-15%	-25%
Commerce	\$ 31,481	\$20,418	-35%	\$17,916	-12%	-43%
Corrections	\$ 466,927	\$392,450	-16%	\$286,116	-27%	-39%
Education	\$ 56,060	\$52,900	-6%	\$22,896	-57%	-59%
Employee Relations	\$ 9,325	\$6,803	-27%	\$4,248	-38%	-54%
Employment and Economic Development (includes DES & DTED)	\$ 157,767	\$143,341	-9%	\$102,888	-28%	-35%
Finance	\$ 15,778	\$10,579	-33%	\$9,041	-15%	-43%
Health	\$ 207,195	\$236,349	14%	\$248,856	5%	20%
Housing Finance	\$ 7,588	\$9,339	23%	\$7,464	-20%	-2%
Human Rights	\$ 1,848	\$1,848	0%	\$607	-67%	-67%
Human Services	\$ 314,916	\$291,823	-7%	\$276,996	-5%	-12%
IRRRB	\$ 21,554	\$11,940	-45%	\$9,853	-17%	-54%
Labor and Industry	\$ 26,571	\$27,400	3%	\$26,988	-2%	2%
Mediation Services	\$ 1,740	\$1,774	2%	\$1,080	-39%	-38%
Metropolitan Council	\$ 364,000	\$307,451	-16%	\$374,316	22%	3%
Military Affairs	\$ 6,276	\$2,116	-66%	\$1,560	-26%	-75%
Natural Resources	\$ 1,452,381	\$1,407,931	-3%	\$1,363,428	-3%	-6%
Pollution Control	\$ 95,778	\$95,882	0%	\$99,494	4%	4%
Public Safety	\$ 367,215	\$362,799	-1%	\$414,228	14%	13%
Public Utilities Commission	\$ 847	\$360	-57%	\$360	0%	-57%
Revenue	\$ 24,229	\$34,283	41%	\$34,283	0%	41%
Transportation	\$ 1,719,585	\$1,661,533	-3%	\$1,474,644	-11%	-14%
Veterans Affairs	\$ 1,596	\$1,290	-19%	\$1,520	18%	-5%
<b>TOTAL</b>	<b>\$ 5,541,466</b>	<b>\$5,245,298</b>	<b>-5%</b>	<b>\$4,923,009</b>	<b>-6%</b>	<b>-11%</b>

# STATE of MINNESOTA CABINET AGENCIES

## Phase I: 3/4/2003

Cell Phones, Pagers, & Other Mobile Telecommunications Devices

Agency Name	3/4/03 # of Cell Phones	3/4/03 # of Pagers	3/4/03 # of Other Mobile Telecomm Devices		FY 2002 Total Cost
<b>Administration</b> <i>(includes Admin &amp; MnPlanning)</i>	128	340	24	2-Way Radios	\$ 124,883
<b>Agriculture</b>	80	105	0		\$ 65,926
<b>Commerce</b>	17	17	34	Data Loggers	\$ 31,481
<b>Corrections</b>	478	906	1,601	2-Way Radios	\$ 466,927
<b>Education</b>	73	52	26	Pager-E-mail	\$ 56,060
<b>Employee Relations</b>	13	37	0		\$ 9,325
<b>Employment and Economic Development</b> <i>(includes DES &amp; DTED)</i>	229	168	0		\$ 157,767
<b>Finance</b>	24	60	0		\$ 15,778
<b>Health</b>	408	201	0		\$ 207,195
<b>Housing Finance</b>	21	1	0		\$ 7,588
<b>Human Rights</b>	3	3	0		\$ 1,848
<b>Human Services</b>	841	651	147	2-Way Radios	\$ 314,916
<b>IRRRB</b>	24	3	0		\$ 21,554
<b>Labor and Industry</b>	42	63	0		\$ 26,571
<b>Mediation Services</b>	3	0	0		\$ 1,740
<b>Metropolitan Council</b>	456	676	2,746	Bus Radios	\$ 364,000
<b>Military Affairs</b>	3	0	0		\$ 6,276
<b>Natural Resources</b>	1,125	397	1,208	2-Way Radios	\$ 1,452,381
<b>Pollution Control</b>	211	58	0		\$ 95,778
<b>Public Safety</b>	461	459	8	Satellite Phones	\$ 367,215
<b>Public Utilities Commission</b>	1	0	0		\$ 847
<b>Revenue</b>	85	72	0		\$ 24,229
<b>Transportation</b>	1,871	467	4,068	2-Way Radios	\$ 1,719,585
<b>Veterans Affairs</b>	2	1	0		\$ 1,596
<b>TOTAL</b>	<b>6,599</b>	<b>4,737</b>	<b>9,862</b>		<b>\$ 5,541,466</b>

# STATE of MINNESOTA CABINET AGENCIES

## Phase II: 12/1/2003

Cell Phones, Pagers, & Other Mobile Telecommunications Devices

	12/1/03 # of Cell Phones	12/1/03 # of Pagers	12/1/03 # of Other Mobile Telecomm Devices		FY2003 Total Cost	ESTIMATED FY2004 Avg. Monthly Cost	ESTIMATED FY2004 Cost Annualized
Administration	112	316	31		\$106,887	\$7,916	\$94,992
Agriculture	75	55	0		\$57,803	\$4,103	\$49,236
Commerce	15	15	31	Data loggers	\$20,418	\$1,493	\$17,916
Corrections	425	747	1,531		\$392,450	\$23,843	\$286,116
Education	36	2	19		\$52,900	\$1,908.00	\$22,896
Employee Relations	7	24	0		\$6,803	\$354	\$4,248
Employment and Economic Development	185	89	2		\$143,341	\$8,574	\$102,888
Finance	20	42	0		\$10,579	\$753	\$9,041
Health	402	193			\$236,349	\$20,738	\$248,856
Housing Finance	17	7	0		\$9,339	\$622.00	\$7,464
Human Rights	2	0	0		\$1,848	\$51	\$607
Human Services	684	593	230	2-way radios & Blackberries	\$291,823	23083	\$276,996
IRRB	20	2	0		\$11,940	\$821	\$9,853
Labor and Industry	45	31	0		\$27,400	\$2,249	\$26,988
Mediation Services	2	0	0		\$1,774	\$90	\$1,080
Metropolitan Council	447	537	2403	Bus radios	\$307,451	\$31,193	\$374,316
Military Affairs	1	0	0		\$2,116	\$130	\$1,560
Natural Resources	1024	377	1208	2-way radios	\$1,407,931	\$113,619	\$1,363,428
Pollution Control	211	57	22	Data loggers & Blackberries	\$95,882	\$8,291	\$99,494
Public Safety	639	432	46	Satellite phones & Blackberries	\$362,799	\$34,519	\$414,228
Public Utilities Commission	1	0	0		\$360	\$30	\$360
Revenue	83	64	12		\$34,283	\$2,857	\$34,283
Transportation	1,683	234	4,068	2-way radio	\$1,661,533	\$122,887	\$1,474,644
Veterans Affairs	3	0			\$1,290	\$127	\$1,520
<b>TOTAL</b>	<b>6,139</b>	<b>3,817</b>	<b>9,603</b>		<b>\$ 5,245,298</b>	<b>\$ 410,251</b>	<b>\$ 4,923,009</b>



Agency Name	Avg. Monthly Cost reduced from FY03: yes/no	Comments
Administration	Yes	
Agriculture	Yes	
Commerce	Yes	
Corrections	Yes	
Education	Yes	
Employee Relations	Yes	
Employment and Economic Development	Yes	The Departments of Trade and Economic Development and Employment Security merged on July, 2003 and became the Department of Employment and Economic Development. The information provided is for the new department - DEED. DEED has taken aggressive steps to reduce both the number and costs for cell phones and pagers. In March, DTED/DES leased 229 cell phones and 168 pagers. Currently, DEED leases 183 cell phones and 89 pagers. Additionally, adjustments have been made to individual calling plans to save money. The project annual savings from these actions is \$42,600.
Finance	Yes	
Health	Yes	The monthly cost of cell phone and pagers for the month of July was \$21,269, while the cost for November was \$17,998. It takes a few months before the reduction are reflected in the average monthly costs. In addition, the Department is currently establishing a database that will give us recommendations on service plans every month based on the past three months usage. This will help the department attain efficient usage of it cell phones.
Housing Finance	Yes	
Human Rights	Yes	
Human Services		Even with the transfer of 70 people (including many cellular contracts) from CFL to DHS (reorganization), we were still able to reduce our cell phone expenditures by 7%. We have eliminated several more cell phones as of January 1, 2004, but we have added some of the higher-cost Blackberry devices with data connectivity -- so we're moderating our expected reduction for 2004 to an estimated 5% decrease.
IRRRB	Yes	
Labor and Industry	Yes	
Mediation Services	Yes	
Metropolitan Council	No	Cell phones and pagers costs remained flat from 2003 to 2004. Increased costs are due to first year payment of warranty extension on 800 Mhz system (\$48 k) and \$12 k increase due to replacement service due to bankruptcy of wireless modem service plan provider, and \$6k for additional phones for transit police.
Military Affairs	Yes	
Natural Resources	Yes	
Pollution Control	No	MPCA has created a database to track both the usage and cost of all of the telecommunications devices. We will monitor and analyze this data on a quarterly basis and make any reductions or modifications to reduce cell phone cost. Due to the cyclical nature of the agency's responsibilities, an accurate annual average cannot be made on the one quarter's worth of data that we have collected. MPCA costs during the quarter analyzed were higher due to refurbishing of one floor in our central office by the building landlord. During this time, staff were disconnected from their land lines which resulted in greater reliance on cell phones. We currently are using 17 cell phones as data loggers at monitoring stations throughout the state. The use of cell phones in these situations has been determined to be more cost effective than installing land lines to these stations.
Public Safety	No	The increase in average monthly expenditures can be attributed to a priority placed on increasing the capability to respond to all types of emergencies and disasters, including terrorism. The division of Homeland Security and Emergency Management increased staff through a federal Homeland Security grant. These new employees work with local units of government or state agencies on preparedness and response issues. Not all parts of the state receive clear signals and multiple methods of communication are necessary. Redundant communication is important when conducting business. The State Patrol has a goal to strive to enhance roadside technology to improve response and efficiency. One of the strategies is to put a cell phone in every Trooper's hands. They are required to work from their cars and respond to emergencies. The use of cellular phones increases their effectiveness. The Patrol is working with the vendor to improve the airtime packages in order to not increase cost.
Public Utilities Commission	No	We remain stable w/one phone at the lowest cost available.
Revenue	No	Increased because of expanding tax compliance and collection efforts
Transportation	Yes	I am pleased to present this information on behalf of this agency, which reflects cost efforts in most categories of requested information. Specifically, when compared to the inventory provided in February 2003.
Veterans Affairs	No	We added a "department" cell phone for safety reasons.

