

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Capital Facilities and Administration Services

Utah Department of Administrative Services  
**Division of Purchasing and General Services**

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



**1.0 Summary: Division of Purchasing and General Services**

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing. The new division became the Division of Purchasing and General Services. The procurement function that enables other agencies to contract for goods and services remains a General Fund function. Other programs operate as Internal Service Funds and are considered separately in the ISF section of the budget.

	<b>Analyst FY 2004 Base</b>	<b>Analyst FY 2004 Changes</b>	<b>Analyst FY 2004 Total</b>
<b>Financing</b>			
General Fund	1,214,500	(2,100)	1,212,400
Dedicated Credits Revenue	77,000		77,000
<b>Total</b>	<b>\$1,291,500</b>	<b>(\$2,100)</b>	<b>\$1,289,400</b>
<b>Programs</b>			
Purchasing and General Services	1,291,500	(2,100)	1,289,400
<b>Total</b>	<b>\$1,291,500</b>	<b>(\$2,100)</b>	<b>\$1,289,400</b>
<b>FTE/Other</b>			
Total FTE		24	24

## **2.0 Issues:**

### **2.1 Electronic Commerce**

The Legislature actively supports the development of electronic commerce – including an enhancement of the way state agencies purchase goods and services.

#### *Electronic Purchasing Services*

The mission of Electronic Purchasing Services is to provide state agencies, local government, school districts and higher education an efficient and effective source of office products and other services to enhance their ability to conduct business. Electronic Purchasing Services has negotiated an office supply contract that saves state agencies from 53 to 75 percent of listed retail price of products bought from the office supply contractor. The contractor has online ordering and standard next day delivery.

#### *Online Bidding*

Vendors who wish to do business with the state also have the ability to take advantage of electronic commerce by accessing the Division’s web site at [www.purchasing.state.ut.us](http://www.purchasing.state.ut.us). Vendors can file online bids, receive RFP updates or changes by email and view final bid tabulations upon contract award. The Division should be complimented for using technology to further open access to taxpayers.

### **2.2 Comparison of State Contract to Consumer Price**

Many items that are routinely purchased by the State are found on a “contract vendor list” available at the Division’s website. The state contract includes items as varied as office supplies and shotgun shells. Section 3.3 provides a random sample of items available on the state contract and compares them to the typical consumer price.

### 3.0 Programs: Division of Purchasing

#### 3.1 Division of Purchasing

	2002	2003	2004	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	1,238,500	1,214,500	1,212,400	(2,100)
Dedicated Credits Revenue	76,900	77,000	77,000	
Beginning Nonlapsing	83,000	19,600		(19,600)
Closing Nonlapsing	(19,600)			
<b>Total</b>	<b>\$1,378,800</b>	<b>\$1,311,100</b>	<b>\$1,289,400</b>	<b>(\$21,700)</b>
<b>Expenditures</b>				
Personal Services	1,268,200	1,202,300	1,182,700	(19,600)
In-State Travel	900	900	900	
Out of State Travel		1,000	1,000	
Current Expense	1,000	72,400	72,400	
DP Current Expense	79,900	34,500	32,400	(2,100)
DP Capital Outlay	28,800			
<b>Total</b>	<b>\$1,378,800</b>	<b>\$1,311,100</b>	<b>\$1,289,400</b>	<b>(\$21,700)</b>
<b>FTE/Other</b>				
Total FTE	24	24	24	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Division of Purchasing provides a centralized purchasing function for all State agencies. The Purchasing program manages 550 statewide contracts, oversees more than 2,000 agency contracts and processes more than 2,000 requisitions a year.

The Utah Procurement Code (Utah Code 63-56-9) created purchasing to:

- 1) ensure that vendors are treated fairly and equitably;
- 2) provide increased economy in state procurement activities, and
- 3) foster effective broad-based competition among suppliers.

Dedicated Credits are generated by fees collected from bidders seeking inclusion on the automated information mailing system. This system automatically solicits bidders on a given commodity. Participation in this program is optional and bids are only mailed to those listed on the system or to those who specifically call and request the bid. Copies of all bids are available for public inspection at the front desk in the Division of Purchasing office.

### **3.2 Electronic Purchasing**

The Division makes a concerted effort to implement cooperative purchasing ventures with surrounding states. These ventures have the potential of giving the State greater purchasing leverage and improved pricing:

- In FY 1999, the Division of Purchasing implemented a Purchasing Card system that allows agencies to make routine purchases quickly and more efficiently.
- All State bid and RFP solicitations are now available on the Internet. The Division is creating an email notification system that will notify potential suppliers of the procurement electronically, replacing our current paper based system.
- All statewide contracts are available to users via the Internet.
- Office supplies can now be ordered electronically over the Internet from our office supply contractor. Delivery is next day on most orders.

### **3.3 Comparison of State Contract to Consumer Price**

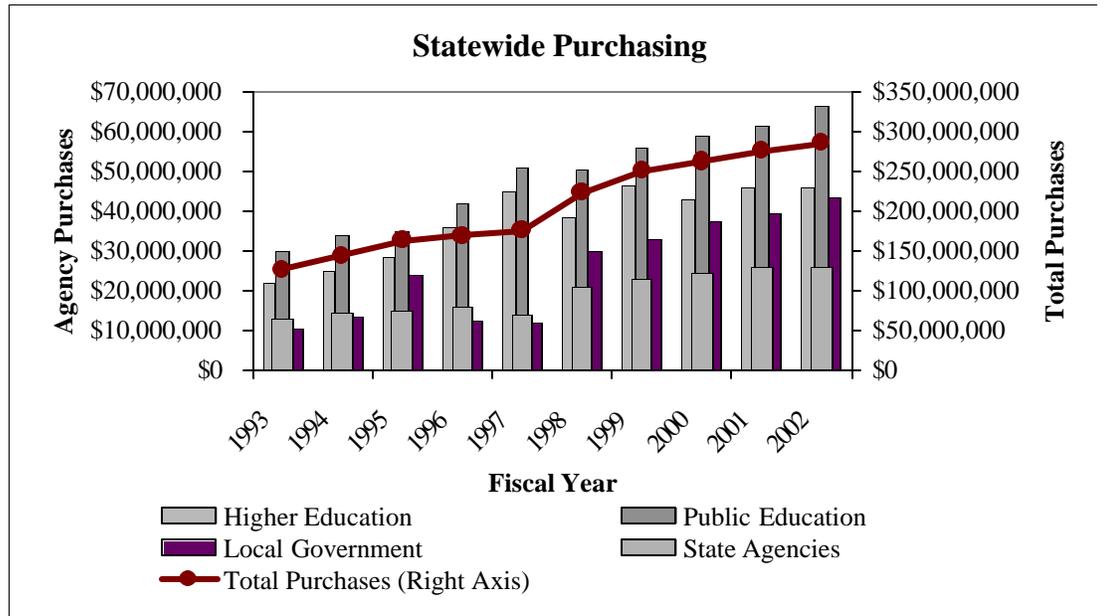
Many items that are routinely purchased by the State are found on a “contract vendor list” available at the Division’s website. The state contract includes items as varied as office supplies and shotgun shells. Prices offered by vendors on the state contract are generally lower than those available to the general public. In a random sample of ten contracts, the Analyst found that nine vendors are providing service or merchandise to the state at rates better than those available to individual consumers. The table on the next page provides a summary of the findings from the random sample.

The following is a random sample of state contracts. "Quoted Price" means the price given to Legislative Staff posing as an individual consumer.

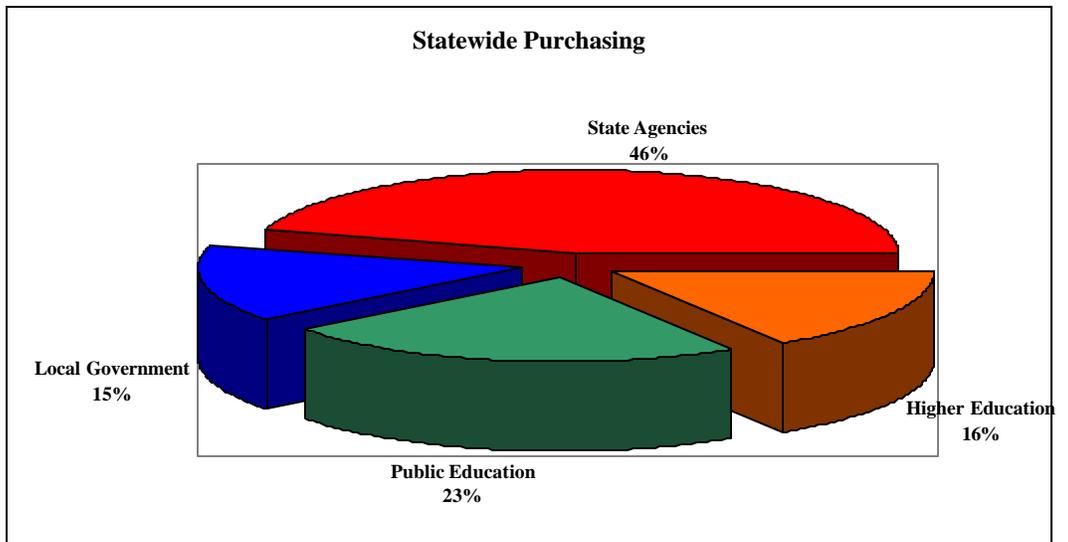
<b><u>Random Comparison of State Contract Prices</u></b>				
<b>State Contractor</b>		<i>Competitor Prices to the Public</i>		
	<b>State Bid</b>	<i>Option One</i>	<i>Option Two</i>	<i>Option Three</i>
<b>1. Skaggs</b>				
21" Sidebreak Scabbard	16.49	23.00	21.99	25.99
21" Baton	42.99	64.00	62.99	62.99
26" Sidebreak Scabbard	19.49	28.00	29.99	29.99
26" Baton	46.99	66.00	67.99	69.99
<b>2. Diamond Detective Ag</b>				
Unarmed security officer (regular)	12.98/hr	18.00	12.60	14.50
Unarmed security officer (holiday)	19.47/hr	27.00	18.90	21.75
Armed security officer (regular)	13.98/hr	18.00	13.50	15.50
Armed security officer (holiday)	20.97/hr	27.00	20.25	23.25
Roving vehicle patrol	40/day	5.50		
<b>3. Northwest Fence Co. Inc.</b>				
Chain link 48"	.7544/lin ft	2.62/lin ft		
Chain link 60"	.9072/lin ft	3.32/lin ft		
Chain link 72"	1.0585/lin ft	3.96/lin ft		
Chain link 84"	1.2701/lin ft	4.61/lin ft		
Fence clips "T" post	.04 ea	12.50/1,000		
Fence top rail 1-1/4" sleeves	.3960 ea	1.62 ea		
<b>4. Jones Paint and Glass (State Bid)</b>				
<b>Wire Glass</b>				
1/4" Obscure	N/A	N/A	8.00	7.00
1/4" Clear Unlabeled	12.50	9.99	11.00	8.50
<b>Insulated Glass</b>				
1/2" Clear Annealed with 1/8" Glass	4.27	N/A	5.25	N/A
3/4" Clear Annealed with 3/16" Glass	5.06	N/A	5.50	N/A
3/4" Tinted Annealed with 3/16" Glass	6.52	N/A	6.50	N/A
3/4" Tinted Tempered with 3/16" Glass	10.60	N/A	10.00	N/A
<b>5. Egg Products Company</b>				
2/20 Lb. Liquid Egg	24.80	24.80	28.80	
<b>6. Genesis Resource Inc</b>				
M200 (base price)	5,190.00	4,800.00		
M200 WP (base price)	6,590.00	5,800.00		
<b>7. Kellogg Sales Company</b>				
All Brand 14-18.3 oz.	34.75	47.84		
Apple Jacks 96-5/8 oz	18.75	27.34		
Anpple Cinnamon Nutri Grain Bar	14.50	19.35		

**Performance Measures**

State Purchasing managed over \$285 million in purchases during FY 2002.



State agencies account for half of all purchases made through the Division of Purchasing. Local government numbers fluctuate from irregular patterns of fleet purchases and non-standardized reporting procedures.



*Workload Study*

Any purchase that exceeds \$2,000 must be processed as a purchase order through the Division of Purchasing. RFPs are issued for any item that exceeds \$20,000 and statewide or agency contracts are put in place when particular items are routinely purchased. Statewide and agency contracts provide savings not only in the cost of goods, but in the amount of time needed to process recurring purchases.

	<b>Fiscal Year 2000</b>	<b>Fiscal Year 2001</b>	<b>Fiscal Year 2002</b>	<b>Cumulative</b>
Purchase Orders	2393	2309	2428	1.44%
RFPs	145	157	177	18.08%
Statewide Contracts	738	769	841	12.25%
Agency Contracts/Amendments	1405	1603	1495	6.02%
<b>Total</b>	<b>4681</b>	<b>4838</b>	<b>4941</b>	5.26%
Appropriated FTE	24	24	24	0.00%
Actual FTE Count	23.51	23.95	23.25	-1.12%

**4.0 Additional Information: Division of Purchasing**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	1,257,600	1,292,000	1,238,500	1,214,500	1,212,400
Dedicated Credits Revenue	82,000	75,600	76,900	77,000	77,000
Beginning Nonlapsing	8,400	73,900	83,000	19,600	
Closing Nonlapsing	(73,900)	(83,000)	(19,600)		
<b>Total</b>	<b>\$1,274,100</b>	<b>\$1,358,500</b>	<b>\$1,378,800</b>	<b>\$1,311,100</b>	<b>\$1,289,400</b>
<b>Programs</b>					
Purchasing and General Services	1,274,100	1,358,500	1,378,800	1,311,100	1,289,400
<b>Total</b>	<b>\$1,274,100</b>	<b>\$1,358,500</b>	<b>\$1,378,800</b>	<b>\$1,311,100</b>	<b>\$1,289,400</b>
<b>Expenditures</b>					
Personal Services	1,163,400	1,221,900	1,268,200	1,202,300	1,182,700
In-State Travel	1,900	900	900	900	900
Out of State Travel	5,800	5,100		1,000	1,000
Current Expense	86,100	97,600	1,000	72,400	72,400
DP Current Expense	16,900	33,000	79,900	34,500	32,400
DP Capital Outlay			28,800		
<b>Total</b>	<b>\$1,274,100</b>	<b>\$1,358,500</b>	<b>\$1,378,800</b>	<b>\$1,311,100</b>	<b>\$1,289,400</b>
<b>FTE/Other</b>					
Total FTE	24	24	24	24	24

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.