

Office of the
Legislative Fiscal Analyst

FY 2005 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.

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing			
General Fund	1,237,900	75,000	1,312,900
Dedicated Credits Revenue	65,000		65,000
Total	\$1,302,900	\$75,000	\$1,377,900
Programs			
Purchasing and General Services	1,302,900	75,000	1,377,900
Total	\$1,302,900	\$75,000	\$1,377,900
FTE/Other			
Total FTE	21	1	22

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. 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.

2.3 Recommendation for additional purchasing agent

As budgets were cut in FY 2002 and FY 2003 the Department eliminated positions in Purchasing to reach budget targets. The Analyst expressed concern at the time that the cuts essentially added costs to other agencies in excess of the savings gained with the elimination of the position. Savings available in the FY 2005 CFAS allocation would allow restoration of one purchasing agent. Page eight provides further discussion of this issue.

General Fund.....\$75,000

3.0 Programs: Division of Purchasing

3.1 Division of Purchasing

	2003	2004	2005	Est/Analyst
Financing	Actual	Estimated*	Analyst	Difference
General Fund	1,212,400	1,237,900	1,312,900	75,000
General Fund, One-time		4,400		(4,400)
Dedicated Credits Revenue	66,900	65,000	65,000	
Beginning Nonlapsing	19,600	29,700		(29,700)
Closing Nonlapsing	(29,700)			
Total	\$1,269,200	\$1,337,000	\$1,377,900	\$40,900
Expenditures				
Personal Services	1,181,900	1,224,200	1,269,500	45,300
In-State Travel	800	800	800	
Out of State Travel	1,500	1,500	1,500	
Current Expense	66,400	60,300	55,900	(4,400)
DP Current Expense	18,600	50,200	50,200	
Total	\$1,269,200	\$1,337,000	\$1,377,900	\$40,900
FTE/Other				
Total FTE	23	21	22	1

*Non-state 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

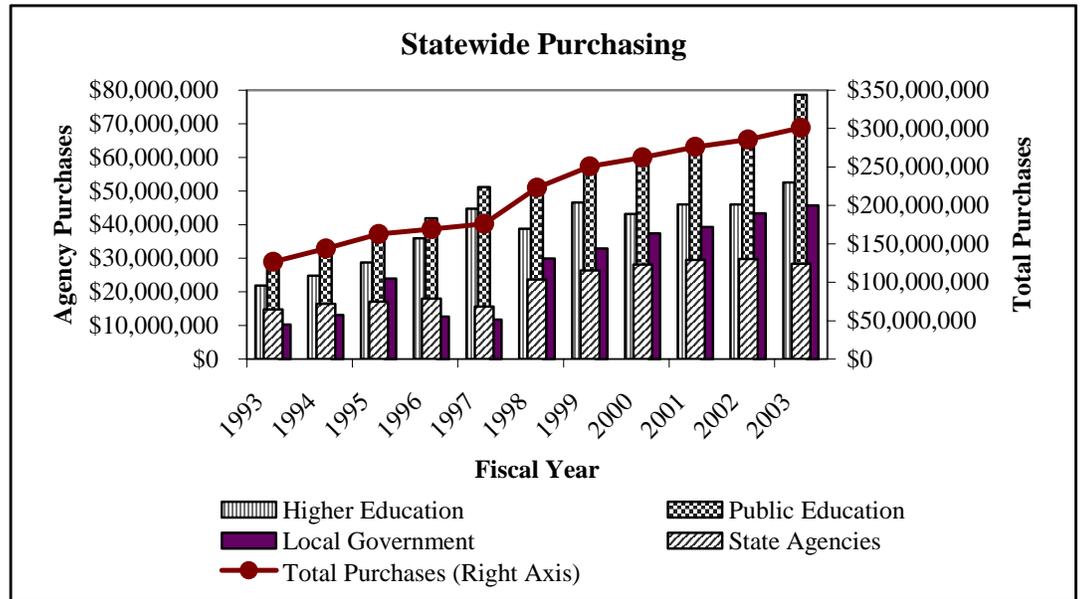
Many items that are routinely purchased by the State are found on a “contract vendor list” available at the Division’s website. The state contract includes items as varied as office supplies and shotgun shells. Prices offered by vendors on the state contract are generally lower than those available to 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 following table provides a summary of the findings from the random sample.

Product	State Contract	Quoted Price
Cellular Service (T-Mobile)	\$ 29.99	\$ 29.99
Pager (Timeport P935)	\$ 359.95	\$ 224.95
TV/VCR Combo Unit	\$ 199.00	\$ 299.00
Child Safety Seats	\$ 48.90	\$ 59.99
Office Supplies/Sorter	\$ 7.21	\$ 19.55
Canon Mini DV Format XL1S	\$ 3,604.00	\$ 3,538.81

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

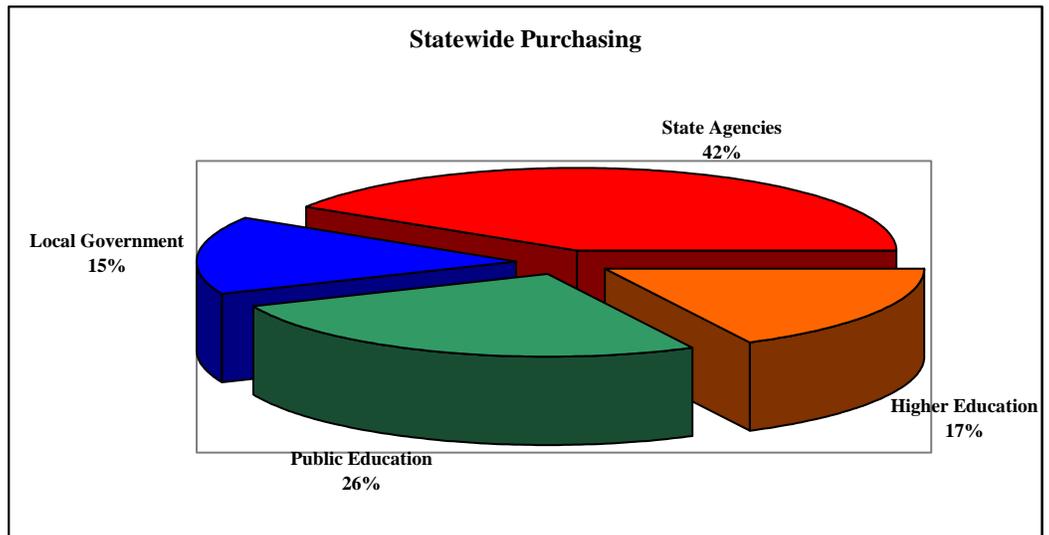
Performance Measures

State Purchasing managed over \$300 million in purchases during FY 2003.



Source: Utah Division of Purchasing and OLFA

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



Source: Utah Division of Purchasing and OLFA

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.

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Cumulative
Purchase Orders	2393	2309	2428	1671	-43.21%
RFPs	145	157	177	181	19.89%
Statewide Contracts	738	769	841	836	11.72%
Agency Contracts/Amendments	1405	1603	1495	1437	2.23%
Total	4681	4838	4941	4125	-13.48%
Appropriated FTE	24	24	24	23	-4.35%
Actual FTE Count	23.51	23.95	23.25	22.23	-5.76%

Source: Utah Division of Purchasing, Utah Data Warehouse and OLFA

A centralized purchasing organization provides savings by ensuring that the best value is received for an item. Over the past four years the number of statewide and agency contracts per FTE is up significantly. This results in delays for re-issuing RFPs, less oversight and less time to manage contracts. As budgets were cut in FY 2002 and FY 2003 the Department eliminated positions in Purchasing to reach budget targets. The Analyst expressed concern at the time that the cuts essentially added costs to other agencies in excess of the savings gained with the elimination of the position. This year the Committee allocation contains some flexibility that can restore funding to the Division of Purchasing to hire an additional purchasing agent. **The Analyst recommends approval of \$75,000 in General Fund for the division to hire an additional purchasing agent.** Funds for the position will come from savings in other areas of the CFAS budget.

4.0 Additional Information: Division of Purchasing

	2001	2002	2003	2004	2005
Financing	Actual	Actual	Actual	Estimated*	Analyst
General Fund	1,292,000	1,238,500	1,212,400	1,237,900	1,312,900
General Fund, One-time				4,400	
Dedicated Credits Revenue	75,600	76,900	66,900	65,000	65,000
Beginning Nonlapsing	73,900	83,000	19,600	29,700	
Closing Nonlapsing	(83,000)	(19,600)	(29,700)		
Total	\$1,358,500	\$1,378,800	\$1,269,200	\$1,337,000	\$1,377,900
Programs					
Purchasing and General Services	1,358,500	1,378,800	1,269,200	1,337,000	1,377,900
Total	\$1,358,500	\$1,378,800	\$1,269,200	\$1,337,000	\$1,377,900
Expenditures					
Personal Services	1,221,900	1,268,200	1,181,900	1,224,200	1,269,500
In-State Travel	900	900	800	800	800
Out of State Travel	5,100	1,000	1,500	1,500	1,500
Current Expense	97,600	79,900	66,400	60,300	55,900
DP Current Expense	33,000	28,800	18,600	50,200	50,200
Total	\$1,358,500	\$1,378,800	\$1,269,200	\$1,337,000	\$1,377,900
FTE/Other					
Total FTE	24	24	23	21	22

*Non-state funds as estimated by agency.