

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administration Services

Utah Department of Administrative Services
Division of Purchasing and General Services

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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 and 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 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
General Fund	1,264,900		1,264,900
Dedicated Credits Revenue	78,100		78,100
Total	<u>\$1,343,000</u>	<u>\$0</u>	<u>\$1,343,000</u>
Programs			
Purchasing and General Services	1,343,000		1,343,000
Total	<u>\$1,343,000</u>	<u>\$0</u>	<u>\$1,343,000</u>
FTE/Other			
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. 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 Fairness in the Procurement Process

One of the most essential tasks of the Division of Purchasing is to ensure that all state bids are conducted in an open and fair manner. The Division provides training and assistance to other state agencies to ensure that every appropriate vendor has an equal opportunity to contract for state work.

Specification Oversight

On occasion state agencies write their own specifications for equipment purchases that are put out to bid. It is vitally important that specifications for equipment relate to performance rather than to brand specific characteristics. For example, an agency may want to buy disposable ink pens (this is hypothetical because pens are not sent through the purchasing process). One might expect the bid to be written simply for disposable ink pens with perhaps a color designation. However, if an agency wants to get a specific pen, it might write specifications that include trademarked features like “rubberized barrel” or “lubriglide ink” so that they will eliminate competing brands. With the hypothetical case of disposable pens, the cost to the state would be negligible. However, when such specifications are written for big ticket items like copiers, vehicles, boats or furniture the cost to the state can be thousands of dollars per purchase.

Sole Source Vendors

When an item is only available from a single or a "sole" source, the agency requesting the purchase documents why they believe that only one source exists. The Division of Purchasing then researches and confirms that only one source exists, then negotiates the purchase. If more than one source exists, or in cases where there is doubt, a competitive process is utilized.

It is vital that the Division of Purchasing diligently ensure that sole source vendors are actually the only option for a product. The Analyst is concerned that there may be cases where one company continues to receive sole source status for high speed copiers even though three companies entered the market with competing equipment. Specifics related to the copier issue can be found in the *Publishing* section under the *Purchasing Internal Service Fund* tab found in the Analyst's budget book.

3.0 Programs: Division of Purchasing

3.1 Division of Purchasing

Recommendation

The Analyst base recommendation reflects a reduction for savings in personal services.

	2000	2001	2002	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
General Fund	1,257,600	1,292,900	1,264,900	(28,000)
Dedicated Credits Revenue	82,000	80,400	78,100	(2,300)
Beginning Nonlapsing	8,400	73,900		(73,900)
Closing Nonlapsing	(73,900)			
Total	<u>\$1,274,100</u>	<u>\$1,447,200</u>	<u>\$1,343,000</u>	<u>(\$104,200)</u>
Expenditures				
Personal Services	1,163,400	1,234,400	1,205,800	(28,600)
In-State Travel	1,900	2,700	2,700	
Out of State Travel	5,800	4,000	4,000	
Current Expense	86,100	123,100	101,500	(21,600)
DP Current Expense	16,900	40,000	29,000	(11,000)
DP Capital Outlay		43,000		(43,000)
Total	<u>\$1,274,100</u>	<u>\$1,447,200</u>	<u>\$1,343,000</u>	<u>(\$104,200)</u>
FTE/Other				
Total FTE	24	24	24	

Purpose

The Division of Purchasing provides a centralized purchasing function for all state agencies. It handles more than \$400 million dollars in purchases, 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) creates a centralized purchasing entity 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.

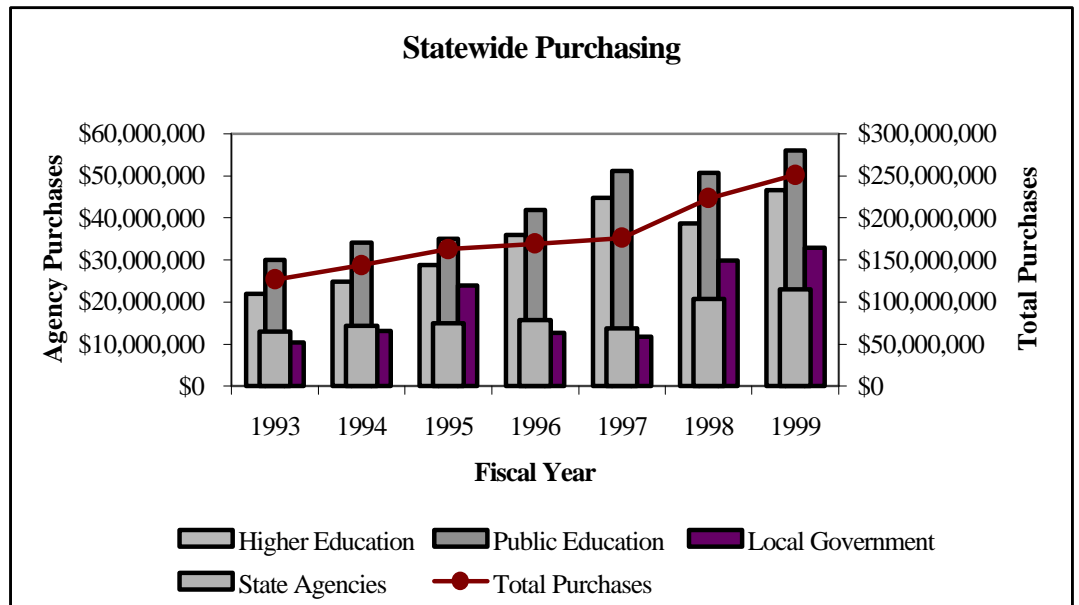
3.2 Electronic Purchasing

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:

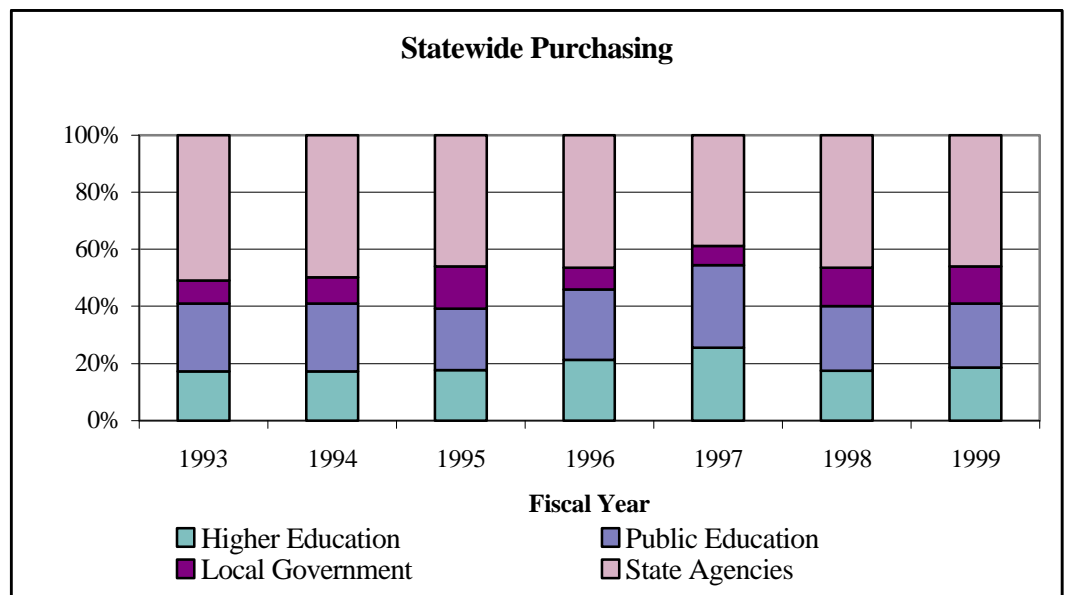
- In FY 1999, the Division of Purchasing implemented a Purchasing Card system that allows agencies to make routine purchases quickly and more efficiently.
- All State bid and RFP solicitations are now available on the Internet. The Division is creating an email notification system that will notify potential 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.

Performance Measures

State Purchasing managed over \$330 million in purchases during FY 1999.



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



4.0 Additional Information: Division of Purchasing

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	1,185,900	1,217,500	1,257,600	1,292,900	1,264,900
Dedicated Credits Revenue	93,600	86,700	82,000	80,400	78,100
Beginning Nonlapsing	16,600	10,100	8,400	73,900	
Closing Nonlapsing	(10,100)	(8,400)	(73,900)		
Total	\$1,286,000	\$1,305,900	\$1,274,100	\$1,447,200	\$1,343,000
Programs					
Purchasing and General Services	1,286,000	1,305,900	1,274,100	1,447,200	1,343,000
Total	\$1,286,000	\$1,305,900	\$1,274,100	\$1,447,200	\$1,343,000
Expenditures					
Personal Services	1,094,900	1,165,900	1,163,400	1,234,400	1,205,800
In-State Travel	1,400	2,700	1,900	2,700	2,700
Out of State Travel	6,800	2,700	5,800	4,000	4,000
Current Expense	130,500	104,500	86,100	123,100	101,500
DP Current Expense	52,400	30,100	16,900	40,000	29,000
DP Capital Outlay				43,000	
Total	\$1,286,000	\$1,305,900	\$1,274,100	\$1,447,200	\$1,343,000
FTE/Other					
Total FTE	24	25	24	24	24