

SUBJECT: Revising state purchasing procedures

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 13 ayes — Seidlits, Turner, Alvarado, Black, Bosse, Carter, Craddick, Hilbert, B. Hunter, D. Jones, McCall, Ramsay, Wolens

0 nays

1 present, not voting — Danburg

1 absent — Hochberg

WITNESSES: For — None

Against — None

On — Pat Martin and Cordell Cameron, General Services Commission.

DIGEST: CSHB 2769 would make a number of revisions to the General Services Commission (GSC) purchasing system including:

- requiring the GSC to establish and manage a central electronic procurement database that would be available to all state agencies and governmental entities, which would contain information about vendors, products and purchasing contracts;
- requiring the GSC to establish and administer a training and certification program, including a continuing education program, for state agency purchasing personnel;
- requiring the GSC to establish purchasing partnerships between certain agencies and allow agencies with certified purchasers to make certain purchases for other state agencies;
- increasing the amount the GSC can delegate to agencies to purchase supplies, material and equipment from \$5,000 to \$25,000 and raising the amount for non-competitive bid requirements from \$1,000 to \$2,500;

- requiring the GSC to require vendors to disclose prior vendor history with the state and forward any suspected criminal violations regarding information disclosed to the appropriate legal authorities for investigation and prosecution;
- setting a "best value" standard for goods and services, which would include not only the price of a product but other factors such as installation costs, delivery terms, cost of employee training and effect on agency productivity;
- allowing the GSC to make and accept bids by fax or electronic transmission;
- requiring the GSC to establish the Advisory Committee on Procurement, made up of employees of state agencies and governmental entities, to recommend improvements in GSC or state agency purchasing practices;
- requiring the GSC to establish the Vendor Advisory Committee to represent the vendor community, provide information to vendors and gather vendor input on state procurement practices;
- requiring the GSC to establish an electronic bulletin board for procurements valued at more than \$25,000;
- requiring the GSC to establish an electronic procurement marketplace that would be a central source of procurement information for state agencies and governmental entities;
- requiring the GSC to establish an electronic commerce network that would allow state agencies to purchase goods electronically;
- requiring the Council on Competitive Government to study the materials management functions of state agencies and allow the council to require agencies to consolidate and/or contract for materials management functions;
- requiring the Legislative Budget Board and the Governor's Office of Budget and Planning to study ways to gather information about planned

state procurements and ways to use the information to increase the state's buying power;

- requiring the state comptroller automatically to pay any interest due to vendors when payments are made beginning September 1, 1997;
- repealing the law that requires vendors to petition the state for interest due, as of September 1, 1997;

The bill would take effect September 1, 1995.

**SUPPORTERS
SAY:**

CSHB 2769 would implement the recommendations of the Joint Procurement Reengineering Project's interim study to establish a central automated purchasing system and to modernize and streamline state procurement procedures. The interim study, mandated by the 73rd Legislature, was set up to address the costly, duplicative and time-consuming state procurement system that the Texas Performance Review in 1993 found to be wasteful and frustrating. The joint project team included staff from the State Comptroller's Office, General Services Commission, Texas Department of Mental Health and Mental Retardation, and Texas Department of Transportation. State government spends around \$4.3 billion a year on goods and services.

Although the project team did not find it cost effective or technically feasible to have a centralized purchasing system for all offices, it did find that redesigning the purchasing system and having it coordinate with the accounting system would be cost-effective and also provide information on state purchasing patterns and practices.

The provisions of the bill would set up a partnership between the public and private sectors and introduce technological improvements into the procurement system.

The bill's provisions will save the state money over the long run — from fiscal 1997 to fiscal 2000 it would save more than \$9 million in general revenue and savings to other funds over that time would amount to nearly \$32 million, according to the fiscal note.

The bill would require that the state follow the practice of other governmental entities and pay vendors automatic penalties (interest) for late payments. The payments would not begin until fiscal 1997 because of the necessary changes that need to be made to the state's Uniform Statewide Accounting System.

The bill would set up an extensive mandatory training and certification program for state agency personnel to assure that agency purchasers are experts in purchasing policies and procedures.

OPPONENTS
SAY:

The training and certification requirements in the bill would be expensive and burdensome and should be rethought and streamlined. Training is important and necessary, but the training requirements should be worked out in conjunction with other agencies before they are mandated by law.

NOTES:

The substitute made a number of technical changes and would repeal duplicate sections in current law.