

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|---|
| Bill Number: 2858 HB | Title: Higher education purchasing |
|-----------------------------|---|

Estimated Cash Receipts

| Agency Name | 2009-11 | | 2011-13 | | 2013-15 | |
|-----------------|-----------|-------|-----------|-------|-----------|-------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| | | | | | | |
| | | | | | | |
| Total \$ | | | | | | |

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| Local Gov. Courts * | | | | | | |
| Local Gov. Other ** | | | | | | |
| Local Gov. Total | | | | | | |

Estimated Expenditures

| Agency Name | 2009-11 | | | 2011-13 | | | 2013-15 | | |
|--|--|----------|-------|---------|----------|-------|---------|----------|-------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Higher Education Coordinating Board | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Community and Technical College System | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Total | 0.0 | \$0 | \$0 | 0.0 | \$0 | \$0 | 0.0 | \$0 | \$0 |

| | | | | | | | | | |
|---------------------|--|--|--|--|--|--|--|--|--|
| Local Gov. Courts * | | | | | | | | | |
| Local Gov. Other ** | | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Impact

| Agency Name | | | | | | |
|-----------------|--|--|--|--|--|--|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total \$ | | | | | | |

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| |
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|---------------------------------------|-------------------------------|---------------------------------|
| Prepared by: Marc Webster, OFM | Phone: 360-902-0650 | Date Published: Final |
|---------------------------------------|-------------------------------|---------------------------------|

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 25119

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

| | | |
|-----------------------------|---|--|
| Bill Number: 2858 HB | Title: Higher education purchasing | Agency: 343-Higher Education Coordinating Board |
|-----------------------------|---|--|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

| | | | | | |
|-----------------|--|--|--|--|--|
| ACCOUNT | | | | | |
| | | | | | |
| Total \$ | | | | | |

Estimated Expenditures from:

| |
|--|
| Non-zero but indeterminate cost. Please see discussion. |
|--|

Estimated Capital Budget Impact:

| | | | | | |
|-----------------|--|--|--|--|--|
| | | | | | |
| | | | | | |
| | | | | | |
| Total \$ | | | | | |

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

| | | |
|--|----------------------------|-------------------------|
| Legislative Contact: Cecilia Clynch | Phone: 360-786-7195 | Date: 01/15/2010 |
| Agency Preparation: Rick Heggie | Phone: 360-753-7891 | Date: 01/20/2010 |
| Agency Approval: Don Bennett | Phone: 360-753-7831 | Date: 01/20/2010 |
| OFM Review: Marc Webster | Phone: 360-902-0650 | Date: 01/21/2010 |

Request # 20-2

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2858 would allow higher education institutions discretion to purchase materials, supplies, services, or equipment through group purchasing organizations.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

HECB analysis anticipates significant but indeterminate savings through the use of group purchasing organizations. Given institutional responses, HECB analysis anticipates significant savings from increased efficiency due to fewer staff needed to manage purchasing work as well less work for campus customers, and leveraging the combined buying power that group purchasing organizations have, affording greater discounts than would normally be attained through internal contracting efforts.

Total savings are currently indeterminate, although HECB analysis anticipates annual savings of \$650,000 to \$1,000,000 total for public baccalaureate institutions given preliminary institution responses.

Individual Institution Responses

University of Washington

Purchases under chapter 39.29, 43.19 or 43.105 RCW could be made using contracts for material, supplies, services or equipment negotiated or entered into by, for, or through group purchasing organizations (GPOs). GPOs leverage the combined buying power of large numbers of members. The ability to use GPO agreements will give Procurement Services the flexibility to select the appropriate contract, among several agreements from different organizations, and apply the negotiated terms to a specific situation. Efficiencies and savings would be realized.

Further, the use of cooperative group purchasing contracts could reduce workload by 6 FTE across both Procurement and campus departments on an annual basis.

Procurement Services estimates \$400K - \$500K in annual savings. The savings are due to two factors:

- (1) Increased efficiency due to fewer staff needed to manage the work, and less work for campus customers, and
- (2) Leveraging the combined buying power that GPOs have, affording greater discounts than would normally be attained through internal contracting efforts (roughly 10% more).

No significant expenditures will result from the passage of this bill. GPOs generally do not require members to pay a fee to join.

Washington State University

WSU anticipates cost savings of over \$50K per year. Savings would be realized due to price and freight cost reductions as well as rebates associated with group purchasing organization (GPO) contracts. Efficiency would also be gained in the amount of time required in bidding out contracts that are already in place with a GPO. Because the quantity (number of GPO contracts) and extent of goods that would be purchased via GPO's is unknown, the overall fiscal impact is indeterminate.

Central Washington University

The bill expands Higher Ed's purchasing authority to allow institutions to utilize purchasing group contracts such as E&I Coop (Educational and Institutional Purchasing Cooperative). Currently, there are approximately 80 contracts available through E&I Coop. There are 1,500 member institutions that belong to E&I Coop, allowing E&I Coop to leverage the volume buying power of the larger group to obtain better contracts. E&I specializes in the higher education sector, but there are a number of other purchasing cooperatives that we could join. Each of these contracts we utilize eliminates the need for CWU to issue an RFP. A major RFP can take up to 100 hours of Purchasing staff time, between research, spend analysis, developing the RFP, analyzing, awarding and documenting the contract, plus 25-50 hours of end-user department time, for every major RFP we avoid, we would save 150 hours or .075 FTE. If you use a group contract 6 times a year instead of the RFP process, CWU saves .45 of an FTE.

This savings of .45 of an FTE would be used by the Purchasing staff to perform competition in areas that we are not currently utilizing competition to make for savings in additional commodities, in addition to the savings from using the group contracts. It is difficult to quantify a dollar savings from any of the group contracts and there will be savings because of the purchasing power of a large organization such as E&I Coop is far superior to an institution the size of CWU. Coupled with the ability to allow the Purchasing staff to perform competition on other commodities the overall savings to the institution should be in the tens of thousands each year.

Eastern Washington University

The impact of this purchasing bill proposal at Eastern Washington University is indeterminate.

The Evergreen State College

HECB analysis anticipates a significant but indeterminate savings of between \$50,000-\$100,000 annually.

Western Washington University

HECB analysis anticipates a significant but indeterminate savings of between \$50,000-\$100,000 annually.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|---|---|
| Bill Number: 2858 HB | Title: Higher education purchasing | Agency: 699-Community/Technical College System |
|-----------------------------|---|---|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

| | | | | | |
|-----------------|--|--|--|--|--|
| ACCOUNT | | | | | |
| | | | | | |
| Total \$ | | | | | |

Estimated Expenditures from:

| |
|--|
| Non-zero but indeterminate cost. Please see discussion. |
|--|

Estimated Capital Budget Impact:

| | | | | | |
|-----------------|--|--|--|--|--|
| | | | | | |
| | | | | | |
| | | | | | |
| Total \$ | | | | | |

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☐

Requires new rule making, complete Part V.

| | | |
|--|----------------------------|-------------------------|
| Legislative Contact: Cecilia Clynch | Phone: 360-786-7195 | Date: 01/15/2010 |
| Agency Preparation: Paula Moore | Phone: 360-704-4384 | Date: 01/15/2010 |
| Agency Approval: Denise Graham | Phone: 360-704-4350 | Date: 01/15/2010 |
| OFM Review: Marc Webster | Phone: 360-902-0650 | Date: 01/18/2010 |

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

HB 2858 allows colleges to use group purchasing organizations for the purchasing of personal services; materials, supplies, or equipment; or information services.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Colleges may be able to attain savings under HB 2858. However, it would be contingent upon:

- (a) a group purchasing organization offering the type of products or services a college seeks to purchase; and
- (b) a college being allowed membership within a group purchasing organization.

Fiscal impact is indeterminate, as it is not known whether (a) and (b) can be satisfied. A group purchasing organization does not have to allow a college membership.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.