

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 18, 1996 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Kathy Porter, Legislative Research Department
Eric Milstead, Legislative Research Department
Norman Furse, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Linda Mannering, Chairman, Council of Business Officers, Emporia State University
John Houlihan, Director of Purchases, Department of Administration
Gloria Timmer, Director, Division of the Budget

Others attending: See attached list

SB 402: State educational institutions, allowing certain purchases

Linda Mannering addressed the Committee as a proponent of **SB 402 (Attachment 1)**. She explained that the bill would allow for the direct purchase of goods and services of \$25,000 or less at each of the regents institutions. In response to a question, Ms. Mannering stated that the bill as written removes reporting requirements from the universities, but the institutions would be open to continued compliance with reporting regulations. Senator Morris inquired what effect this bill would have on the purchasing process. Ms. Mannering cited figures from KU illustrating how the level of services would be enhanced (Attachment 2).

John Houlihan testified in opposition to **SB 402** on behalf of the Division of Purchases. In reviewing his written testimony (Attachment 3), he commented that though the agencies have \$2,000 delegation, they also have unlimited authority to order from state contracts to take advantage of volume discounts. Members inquired about the potential effect of the bill on state purchasing contracts, the average length of time for the processing of purchase requests, changes that could be made to accelerate the processing time for purchases, and what entity should be held accountable for purchases. Mr. Houlihan endorsed the concept of increasing the Department's authority to delegate up to \$25,000 in some instances, but added that he believes the universities should be required to follow state purchasing statutes. He added that **SB 279** which is in House Appropriations would make the Division of Purchases responsible for auditing agencies to ensure compliance with purchasing statutes and would increase the limit on telephone bids to \$10,000. He stated that the auditing capabilities and raising the limitation on telephonic bids would make the Department more comfortable and would cut days from the processing time.

Chairman Kerr observed that the University of Kansas Medical Center has authority to make direct purchases up to \$25,000 and inquired about the difference between their purchasing authority and the provisions of **SB 402**. Mr. Houlihan stated that KUMC has to follow state purchasing statutes, one of which is reporting. This bill exempts the universities from all state statutes. He added that he has not audited KUMC, but they comply with reporting statutes.

Written testimony in opposition to **SB 402** from Art Brown on behalf of the Mid-America Lumbermens Association was distributed to members (Attachment 4).

The Chairman stated that he would check with the House Committee about **SB 279** to determine the status of

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on January 18, 1996.

the provisions regarding auditing capabilities and telephonic bid limitations. He requested that the revisors draft a balloon for **SB 402** that would include those provisions (if necessary) and would address concerns of Committee members:

- authorize the Department of Administration to delegate authority for purchases up to \$25,000
- make universities comply with all other state purchasing statutes, including the reporting process
- allow purchases for higher amounts before requiring advertisement in the Kansas Register
- include basic standards for the universities which, if met, would avoid denial of expanded authority

The Chairman advised members that he would hold **SB 402** for the balloon.

SB 428: Appropriations for FY 96, lapsing appropriations for various state agencies

Gloria Timer, Director, Division of the Budget, appeared before the Committee to explain that **SB 428** is the means by which the Governor's directive to agencies to reduce their budgets by 1.5% can be accomplished. It reflects a 1.5% reduction from the approved FY 96 state budget except in the areas of education, the regents institutions, and the demand transfers that were accomplished before the 1996 session. She stated that agencies have, for the most part, indicated how they will make cuts without changing programs significantly. Ms. Timmer stated that there will be House and Senate supplemental bills which will reflect adjustments to the budget. In answer to a question, she stated that a number of shifts were necessary to accomplish the FY 96 budget within the Department of Social and Rehabilitation Services, but the agency sustains a 1.5% cut in total.

In answer to Senator Vancrum, Ms. Timmer stated that the Governor has rescission authority only if ending balances are projected to fall below \$100 million. In response to a question, she stated that she would provide information regarding recommended cuts for Community Corrections.

In response to concerns, the Chairman stated that the State Board of Indigents' Defense would receive a full review. Responding to questions about the necessity of enacting **SB 428**, Ms. Timmer stated that without the bill agencies have the authority to expend any monies in their FY 96 budgets.

Senator Rock voiced his concern that agencies might be restricted from providing accurate information regarding their needs and noted that he believes legislators have the responsibility of reviewing budgets. Ms. Timmer stated that the Governor also believes that the Legislature has that responsibility. Chairman Kerr confirmed that both he and the Governor believe it would be a mistake to not review budgets thoroughly and assured members that the Senate Ways and Means Committee would continue the review process. He stated that, if the past year is an indication, the Governor will not impose restrictions on any agencies in regard to providing accurate information to the Legislature.

In response to Senator Karr, the Chairman said that it was not his intent to bring agencies before the Committee in regard to **SB 428**.

It was moved by Senator Burke and seconded by Senator Lawrence that **SB 428** be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman adjourned the meeting at 12:15 P.M. The next meeting is scheduled for January 22, 1996.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: JANUARY 18, 1996

NAME	REPRESENTING
Linda Mannerig	Council of Business Officers, Chair
Leo Vogel	Regents, inclusion
JOHN HOUZHAN	Dept. of Administration
	" " "
Jeff Cragaman	D of A
Chris Starfield	KDHE
John Kitzhaber	Ks. Health Care Assn.
J.G. Scott	SPS
Norman Hoerman	DHR
Suzanne Duffly	KSOR
Ken Behr	Ks. Governmental Consulting
Stephen Jordan	to Bd. of Res. & Eval.
John	Ks. Bd. of Regents
Gloria Timmer	DoB
Dorenda Mitchell	Governor
John Dizon	Office of the State Treasurer
Jay C Ridgway	intern - Sea Rock
Bob Wunsch	KUMC
TED D. Ayres	REGENTS STAFF

**Senate Ways and Means Committee
Regent's Institutions Testimony on Senate Bill No. 402
January 18, 1996**

The Council of Business Officers of the Regent's institutions recommends support of Senate Bill 402. It will allow for direct purchases of goods and services of \$25,000 or less for any individual purchase, an increase from the \$10,000 limit in current law. The Chancellor or President of each Regent's institution would establish guidelines and procedures to ensure that state policies and procedures are upheld.

The flexibility and accountability allowed would reduce costs related to processing paperwork while increasing service and productivity. The University of Kansas has provided specific information to demonstrate these savings and improvements. KU's processing time for a single purchase order is 21 days. The average completion time through the Division of Purchases is 53 days. An increase in the limit to \$25,000 for direct purchases would reduce work load in the Division of Purchases and guarantee a quicker delivery of goods and services. KU has determined that the additional work load can be handled with existing staff. The other Regent institutions concur with the above information specific to KU.

The Regents institutions would continue to act in good faith, to consider bids and quotes, to seek best pricing, and to maintain records demonstrating competitive purchasing such that routine audits would reveal accountability and good management practices. If this bill were to be made law, there would be careful consideration of policies and procedures before actual implementation would occur.

The Council of Business Officers is much encouraged by the willingness of the legislative budget committee and you, the Senate Ways and Means Committee to consider this opportunity to streamline current purchasing practices at the Regents institution.

*Senate Ways & Means
January 18, 1996
Attachment 1*

KU was the first of four agencies to receive \$10,000 delegated purchasing authority in 1987. Also, KSA 76-770 exempts the University from the Purchasing statutes when funding is 50% or more from KTEC, or federal agencies.

The KU Purchasing Office staff processed a total of 921 Purchase Requisitions during the 1995 fiscal year. A total of 193 PR's or 21% of the total were bid by the Division of Purchases in Topeka. 728 PR's or 79% were bid locally under our delegated authority. The 193 PR's sent to Topeka included 80 that were between \$10,000 and \$25,000.

Had our delegated authority been \$25,000 for fiscal year 1995 - a total of 113 PR's or 12% would have been bid by the Division of Purchases in Topeka and 808 PR's or 88% would have been bid locally under our delegated authority.

KU's processing time for a single PR averaged 21 days while Topeka's processing time averaged 53 days. The processing of 80 additional PR's on the Lawrence Campus would have saved many days of processing and staff effort at the Division of Purchases in Topeka. However, our current level of staffing would allow us to diligently add the workload created by completing those 80 bids. This would allow us to increase our level of services to KU departments while continuing to insure the State policies and procedures are being upheld.

*Senate Ways & Means
January 18, 1996
Attachment 2*

TESTIMONY ON S.B. 402

SENATE WAYS AND MEANS COMMITTEE

January 18, 1996

Presented by John T. Houlihan
Director of Purchases

Mr. Chairman and members of the Committee; I am John Houlihan the Director of Purchases. I am testifying today on behalf of the Department of Administration and I am opposed to Senate Bill Number 402.

S.B. 402 will exempt the state universities from all Kansas purchasing statutes for the purchase of goods and services with a value up to \$25,000. This bill allows these purchases to be made in the open market or in accordance with such procedures and under such conditions as may be prescribed and established by the chancellor or president of each university.

During Fiscal Year 1995, the universities spent about \$115,000,000 for individual purchases of less than \$25,000. S.B. 402 will allow the universities to spend these tax dollars without any controls by the legislature, without competition, without reporting responsibilities and without any accountability except for conditions established by the universities.

K.S.A 75-3739 allows the Director of Purchases, with approval from the Secretary of Administration, to delegate up to \$10,000 to the state agencies. Presently, all agencies have been given a \$2,000 delegation. My policy on increasing this delegation is that the university must request it, must have a full time, experienced Director of Purchases, and the director must not report to the controller. The University of Kansas and Wichita State University have a delegation of \$10,000. The delegation for Pittsburg State was recently increased to \$5,000. Kansas State, Emporia State and Ft. Hays State have a \$2,000 delegation and to my knowledge, have never requested an increase in their authority.

*Senate Ways & Means
January 18, 1996
Attachment 3*

Only three of the universities have full time, experienced Directors.

I feel that the universities currently have adequate authority to operate an effective and competent purchasing program. In addition to their delegated authority, the universities have unlimited authority to order from over 1,400 competitively awarded state contracts. They can also purchase goods and services that are privately or grant funded without complying with state statutes.

Allowing the universities to purchase goods and services without complying with the state purchasing statutes will have an impact on the prices other state agencies will pay for goods and services. The Division of Purchases saves the state a considerable amount of tax dollars by combining all the requirements and awarding one contract. For example, we recently combined all of our computer mainframe maintenance under one contract and will save the state approximately \$10,000,000 over a period of five years. We also have state paper contracts that combine all the state requirements and save considerable dollars. Much of this buying power will be lost if the universities are exempt from the statutes. This bill will also impact the Correctional and Blind Industries programs that rely on statutes that make them a mandatory source for their products. Allowing each university to establish their own purchasing policies will cause confusion among the state vendors. This will be a source of complaints to the legislature, if the vendors feel they are not being treated fairly.

The Kansas Division of Purchases mission is to ensure that public purchasing is conducted without favoritism and without arbitrariness or caprice and to guarantee that all purchases are made in a manner that fosters maximum competition. The services of my division are provided by a highly experienced professional staff of procurement officers with over 265 years of combined purchasing experience. Each procurement officer has expertise in buying specific items such as medical supplies, computers, building material, etc. I feel that the universities do not have the purchasing experience or staff for the level of buying that this bill requires.

Since my appointment as Director, I have been working closely with the Regents on new state wide purchasing initiatives, such as a new personal computer contract, a freight contract and a business procurement card. I have not received any complaints about the services provided by the Purchasing Division.

The Division of Purchases is an effective central purchasing program that will continue to reduce the cost of government only if the Legislature, the Secretary of Administration and the Director continue to establish the state purchasing policies for all agencies.

This concludes my prepared testimony, are there any questions?



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MID-AMERICA LUMBERMENS ASSOCIATION

WRITTEN TESTIMONY FOR THE SENATE WAYS AND MEANS COMMITTEE

JANUARY 18, 1996

SENATE BILL 402

My name is Art Brown with the Mid-America Lumbermens Association. My purpose in presenting this written testimony to you today is to suggest a change in Senate Bill # 402 which would make the bill more acceptable to our membership

I regret that a business committment makes my appearance before your committee an impossability today. However, we as a membership would ask that you consider a change in the bill as it is written.

While we realize that the bidding process as it stands is a cumbersome one for some of the smaller purchases made by the proponents of ths bill , we think the \$25,000 figure on line 21 of the bill is an extremely high threshold. With that thought, we would suggest instead a \$2500.00 threshold, with periodic review to see what type of adjustments would need to be made in relation to that figure.

We do this with the thought that if this bill becomes law, it will open the door to other State agencies to have the same policy as those mentioned in the bill. This is another prime reason we suggest this threshold. We think this committee would agree with us that good oversight of tax dollars is a prime responsibility of the Legislature. At \$25,000, we simply feel that some of that oversight would be missing and handicap the Legislature in the spending of these tax dollars.

Again, I regret that I cannot appear before you personally, but if you have any questions or comments, I would be glad to address them with you at any time convenient to you in the future.



*Senate Ways & Means
January 18, 1996
Attachment 4*