

February 1, 2017

The Honorable Larry Campbell, Chairperson
House Committee on K-12 Education Budget
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Campbell:

SUBJECT: Fiscal Note for HB 2143 by House Committee on K-12 Education Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2143 is respectfully submitted to your committee.

HB 2143 would implement Education–K-12 and Higher Ed–Recommendation #5 from the Kansas Statewide Efficiency Review by Alvarez & Marsal (A&M).

The bill would require Kansas school districts to procure certain goods and services through the Department of Administration. The goods and services would be limited to information technology equipment, services and software; food; and fuel. All school district procurement contracts in existence on July 1, 2017, would remain in effect until July 1, 2019. On July 1, 2019, all contracts still in existence would expire.

According to the Kansas Statewide Efficiency Review, adding school districts to the statewide strategic sourcing of procurement categories would create savings of approximately \$7.2 million from all funds in the first year of implementation and approximately \$9.0 million annually thereafter. Recommendation #5 is tied to combining the school districts with the state in the strategic sourcing event described in the Review’s Procurement Budget—Recommendation #1. The savings estimate assumes that school districts could terminate existing contracts without penalty, the state would implement the procurement efficiency recommendations, and procurement could be sourced in seven categories including maintenance, repair and operations; IT equipment; IT services; IT software; food; electricity; and fuel. HB 2143 requires sourcing for only five of the categories.

Currently, the Office of Procurement and Contracts in the Department of Administration has 14.00 FTE positions to procure commodities and services for executive branch state agencies. This involves handling approximately 7,000 purchase requisitions a year generated through the Statewide Management, Accounting and Report Tool (SMART) system and managing approximately 3,500 contracts. HB 2143 would add 286 school districts to this workload. Additionally, the Department states that overseeing contractual obligations for the goods and services identified in the bill could be very time consuming. The agency estimates

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that the Office of Procurement and Contracts does not have the existing resources to handle the additional workload required by this legislation. The Department indicates that it would need a total of \$750,960 from the State General Fund and 8.00 additional FTE positions in FY 2018. Of the total amount, \$550,000 would be for the salaries and wages expenses of 5.00 Procurement Officer FTE positions and 3.00 Administrative Assistant FTE positions; \$55,000 for one-time workstation set-up costs; \$129,960 for an additional 6,000 square feet of office space; \$2,000 for additional file storage space; \$4,000 for communications; \$8,000 for an additional multifunction copier; and \$2,000 for office supplies and consumables. Total on-going costs for FY 2019 would be \$695,640 from the State General Fund.

The Department states that it uses an e-procurement process through the SMART system to handle requests from state agencies. The Department has been advised that bringing school districts into SMART is not available. If it is desired to have an e-procurement system that allows school districts and the Department to efficiently process procurement requests, a new system would be needed. The agency estimates that a new system would cost \$2.5 million to \$3.5 million excluding annual system maintenance costs. The Department estimates that implementing a system would take approximately 12 to 18 months.

If implementing a new e-procurement system is not feasible, a manual system for requesting contracts to be bid would need to be established. This would require an additional 3.00 Administrative Assistant FTE positions at an estimated cost of \$160,000 plus associated operating expenditures.

The Department of Education indicates that the bill would not require additional state resources be provided to the agency.

The fiscal effect associated with the efficiency savings from the A&M recommendations included in *The FY 2018 Governor's Budget Report* is not the same as stated above because of certain provisions of the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Colleen Becker, Department of Administration
Dale Dennis, Education