

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:30 p.m. on March 2, 2010, in Room 152-S of the Capitol.

All members were present except:

Senator Ruth Teichman- excused

Committee staff present:

Theresa Kiernan, Office of the Revisor of Statutes

Sharon Wenger, Kansas Legislative Research Department

Dorothy Gerhardt, Committee Assistant

Conferees appearing before the Committee:

Barry Swanson, Director of Purchasing and Strategic Sourcing, University of Kansas

Debra Prideaux, Executive Director, Alumni and Governmental Relations, Fort Hays State University

Roger Werholtz, Secretary, Kansas Department of Corrections (written only)

Andrew J. Schlapp, Executive Director of Government Relations and Board of Trustees, Wichita State University (written only)

Bruce Shubert, VP Administration and Finance, Kansas State University (written only)

Reginald L. Robinson, President & CEO, Kansas Board of Regents (written only)

Michael R. Lane, President, Emporia State University (written only)

Victoria White, Pittsburg State University (written only)

Others attending:

See attached list.

Hearing on HB 2433 - State educational institutions; exemption from state purchasing law

Theresa Kiernan, Office of the Revisor of Statutes, provided a brief summary of the proposed legislation. The bill would amend a provision in law that authorized the State Board of Regents to select one regional university and one research university to participate in a three-year purchasing pilot program. Under the law the two universities were exempt from state purchasing laws and the prison-made goods act. This legislation would extend the provision to all six regents institutions and would also make the exemption permanent. The current legislation will sunset on June 30, 2010.

The bill would allow the regents institutions to acquire supplies, materials, equipment, printing and services and to enter certain leases of real property in accordance with policies adopted by the State Board and exempt such acquisitions from state laws relating to the procurement of certain professional services, negotiated procurement processes and leases of real property. Contracts for architectural services, engineering services, construction management or ancillary technical services entered into by a state educational institution would not be covered by the exemption provided by the bill.

Barry Swanson, Director of Purchasing and Strategic Sourcing, University of Kansas (Attachment 1), spoke as a proponent of extending the legislation to all regents universities. As one of the universities involved in the pilot program, he stated the University of Kansas had saved approximately \$1.76 million. He pointed out that the pilot project will sunset on June 30, 2010 and spoke in favor of HB 2433 which would extend the exemptions.

Debra Prideaux, Executive Director, Alumni and Governmental Relations, Fort Hays State University (Attachment 2), representing the second university taking part in the pilot program, also spoke as a proponent of HB 2433. She noted that in addition to financial savings, there were also major improvements in efficiency and time involved in completing a purchase.

Roger Werholtz, Secretary, Kansas Department of Corrections (Attachment 3), Andrew J. Schlapp, Executive Director of Government Relations and Board of Trustees, Wichita State University (Attachment 4), Bruce Shubert, VP Administration and Finance, Kansas State University (Attachment 5), Reginald L. Robinson, President & CEO, Kansas Board of Regents (Attachment 6), Michael R. Lane, President, Emporia State

CONTINUATION SHEET

Minutes of the Senate Education Committee at 1:30 p.m. on March 2, 2010, in Room 152-S of the Capitol.

University (Attachment 7), and Victoria White, Pittsburg State University (Attachment 8) all provided written testimony supporting the legislation and extending the pilot program to all universities.

There being no other conferees, the hearing was closed.

A short question and answer session was held with the conferees.

Senator Vratil moved the committee recommend HB 2433 favorable for passage. The motion was seconded by Senator Owens. The motion carried on a voice vote.

The next meeting is scheduled for March 3, 2010.

The meeting was adjourned at 02:00 p.m.

SENATE EDUCATION COMMITTEE GUEST LIST

DATE: March 2, 2010

NAME	REPRESENTING
John Dammann	KU
Darry Swanson	KU
JK Prideaux	HSU
Margaret Werley	ESU
Kip Peterson	KBOR
Kari Presley	Kearney & Associates
Leigh Keck	Hein Law Firm
Tim Maddon	KDOC
CHRIS HOWE	PURCHASES / ADMINISTRATION
Victoria White	Pittsburg State
Dennis Stones	USD 441 Wolf River Leadership
Pete Schuetz	USD 441 Wolf River Leadership Academy
Jesse Hutfles	USD 441 Wolf River Leadership Academy
KAY HEWINS	USD 486 Wolf River Leadership Academy
Jennifer Gatz	USD 111 Wolf River Leadership Academy
Kristy Ellis	USD 111 Wolf River Leadership Academy
Gretchen Oldham	USD 415 Wolf River Leadership Academy
Jill Hrencher	USD 415 Wolf River Leadership Academy
Kay Schultz	Wolf River Center



Senate Education Committee
Hearing on H.B. 2433
March 1, 2010

Testimony of Barry Swanson
Director of Purchasing and Strategic Sourcing
University of Kansas

Chairperson Schodorf, I am Barry Swanson, Director of Purchasing and Strategic Sourcing for the University of Kansas, Lawrence campus. I am here to testify in support of H.B. 2433. This legislation would extend a program that KU has already used to save \$1.76 million.

The University of Kansas appreciates the Committee's attention to this legislation. The Legislature has long stressed the importance of all state agencies being accountable for and good stewards of taxpayer dollars.

The University of Kansas takes this responsibility very seriously and appreciates the empowerment granted by the 2006 Kansas legislature when they passed Senate Bill 52, the terms of which are codified in KSA 76-769.

KSA 76-769 established a 3- year purchasing pilot program where the Board of Regents could select one regional institution and one research institution to be exempt from the basic state purchasing statute as well as the Prison Made Goods Act. Fort Hays State and the University of Kansas were the institutions selected. The pilot project will sunset on June 30, 2010 unless H.B 2433 is passed to extend the exemptions.

During the last 3 years FHSU and KU reported material hard dollar savings and efficiencies that were only possible due to the purchasing pilot program. KU has reported hard dollar savings of approximately 1. 76 million and was able to process competitive bid transactions more quickly by saving approximately 13 days per transaction. This equates to a roughly 40% reduction in processing time.

These savings and efficiencies have been achieved without incurring additional cost or administrative burden. The elimination of the flexibility would result in the loss of the hard dollar savings and administrative efficiencies documented by the pilot institutions.

The primary reason these savings were achieved is the fact that KU developed policies and procedures for Kansas

Board of Regents approval that were designed to maximize competition.

Campus departments have been given a toolbox of options to consider as they source needed products and services. The options are simple:

For transactions that total \$5,000 or less the departments may utilize any available state or approved consortia contract or go directly to the open market without first having to complete a bureaucratic approval process.

For transactions that total in excess of \$5,000, departments may utilize any available state or approved consortia contract or seek competitive bids or non-competitive approval through KU Purchasing Services.

This environment gives departments the flexibility and options they desire and also minimizes the level of bureaucracy required to complete normal transaction processing.

Of equal importance is the fact this competitive environment ensures that all contract vendors must constantly compete for every University dollar.

Finally, this environment also grants significant opportunities for local, small, minority and women-owned businesses to compete for University business. No longer is business primarily packaged on a Statewide or even University-wide contract basis only. This allows smaller vendors to compete for individual transactions and thus increase their chances of being able to compete successfully.

H.B 2433 will make permanent the terms of KSA 76-769 and expand its scope to include all state educational institutions. The proposal also broadens the exemption to include statutes related to the University Press, Division of Printing, real estate leases, professional services and negotiated procurements.

In the recently completed Legislative Post Audit Report eleven (11) items were identified by Regent institutions that would allow them to operate more efficiently. Three (3) of those items would be addressed by passage of H.B 2433.

I would be happy to answer any questions.



FORT HAYS STATE UNIVERSITY

Forward thinking. World ready.

**Senate Education Committee
HB 2433 - Purchasing Pilot Program
March 2, 2010**

ALUMNI ASSOCIATION

Chairperson Schodorf, Ranking Member Hensley, and other distinguished members of the Senate Education Committee I am here today to testify in support of HB 2433.

SB 52 (KSA 76-769) authorized the Kansas Board of Regents to select one research and one regional university to participate in a three year pilot program allowing each university to manage certain aspects of its own purchasing operations. It granted the universities the ability to use available state contracts or develop its own. The pilot officially began June 1, 2007, and will end on June 30, 2010. Following are points of information regarding progress concerning the pilot program related to purchasing at Fort Hays State University.

- The Kansas Board of Regents adopted a policy allowing FHSU and KU to participate in the purchasing pilot and required each university to develop its own purchasing policies and procedures. Our policies and procedures were reviewed and approved by the KBOR.
- FHSU officially began operating under its new purchasing policy and procedures on July 1, 2007.
- Significant changes made as a result of the pilot program include:
 - Higher informal bid limits (previously limited to below \$5,000 now set at up to \$24,999).
 - Increased purchasing limits at the departmental level previously set at up to \$1,000 are now at up to \$4,999.
 - Development of departmental "super purchasers" who have responsibility for purchasing supplies and goods needed in departments considered high volume areas.
 - Elimination of the warehouse (Central Store) operation on campus. Staff previously responsible for operation of the warehouse has assumed new duties including researching for highest quality lowest priced items for departments with particular emphasis on general office supplies, which includes comparison to current state contracts.
- The major improvement has been in efficiency and can be seen in the time involved to complete a purchase now versus before SB 52. The university has been able to reduce the time to complete a purchase by up to eleven days in cases related to the informal and formal bid processes. Another efficiency involves delivery time. In certain cases, being able to use vendors other than state awarded without seeking approval of the division of purchasing has improved delivery times of products allowing our work crews to be more efficient.

- Local vendor success in the bidding process has been very limited. It seems local vendors have difficulty meeting or being below prices available through contracts established by state purchasing.
- FHSU and KU continue to work together on contracts that can be beneficial to both universities.
- Reductions in costs have been gained for a number of items including:
 - Computers, 16%
 - Software licenses and renewals, 4%
 - Computer tape memory, 39%
 - Multi Purpose paper, 11%
 - General office supplies, 14% to 52%
 - Software, 7%
 - Other paper products, 22%

The above equate to approximately \$42,000 in savings during the fiscal year 2009.

- Staffing at FHSU did not change as a result of the purchasing pilot.
- Changes have not been without challenges. FHSU, because of its location, has experienced difficulty with some businesses related to our delivery needs. At times, staff has not been totally receptive of the added flexibility allowed by the purchasing pilot when seeking best price and best quality.

Fort Hays State University considers the pilot a success and very beneficial to its continuing operations. FHSU appreciates the opportunity to participate in the pilot program and the willingness and trust the Legislature has placed in the Kansas Board of Regents and the university to do the right thing.

Thank you for your time and consideration of this important legislation.

Debra Prideaux, Executive Director of Alumni and Governmental Relations
Fort Hays State University
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C: (785) 365-6011
dprideau@fhsu.edu

Testimony on HB 2433
To
The Senate Education Committee

By Roger Werholtz
Secretary
Kansas Department of Corrections
March 2, 2010

The Department of Corrections supports HB 2433. HB 2433 was passed by the House by a vote of 110 to 12.

HB 2433 exempts state universities from the provisions of statutes otherwise governing state agencies regarding the lease of real property and the purchase of supplies, materials, equipment, goods, property, printing or services including products manufactured by inmates assigned to Kansas Correctional Industries (KCI). While exempting Regents institutions from the purchase of prison made goods, HB 2433 also expands the ability of the Department of Corrections to sell KCI products to Kansas residents and business. This authority would expire June 30, 2013.

HB 2433 weds two related principles of good public policy. The Department supports cost saving measures that the state can implement. Secondly, correctional industries serves the public's interests by providing inmates with important job skills for their reentry into the community upon release from prison and KCI revenues are used to fund other operations of the Department as an offset to reductions in state general fund appropriations. HB 2433 recognizes that cost savings achieved by Regents institutions not purchasing KCI manufactured goods demonstrates that the pricing of KCI products is not unfairly low and that the promotion of job skills and operational revenue needed by the Department can be achieved without unfair competition if the KCI market is expanded.

In 2006, two regents' institutions, as a pilot program, were granted an exemption beginning June 1, 2007 through June 30, 2010 from statewide purchasing contracts, competitive bid statutes, travel service contracts, and the purchase of prison made goods. HB 2433 would extend those exemptions to all of the state educational institutions. An exemption for regents institutions from the purchase of KCI goods coupled with an expansion of other markets for KCI products is important to both the Department's efforts for successful inmate reentry to the community and its operational funding. The state regent institutions have made substantial purchases of inmate manufactured goods. The annual sales to state regent institutions of KCI products have been:

FY 2001	\$1,061,254
FY 2002	\$1,010,571
FY 2003	\$1,117,501
FY 2004	\$ 970,801
FY 2005	\$1,049,326
FY 2006	\$ 933,199
FY 2007	\$ 859,738
FY 2008	\$ 768,857
FY 2009	\$ 945,776

These revenues could be lost to KCI and as a source of funding for the Department's operations. Additionally, supervision of inmates working in the KCI program is done by KCI staff (paid by fees generated by KCI) rather than corrections officers (paid by state general funds).

DEPARTMENT OF CORRECTIONS

In the report of the University of Kansas pilot program experience dated December 17-18, 2008, KU reported spending \$213,864 for HON furniture in FY 2008. (HON is a private vendor). KU reported a savings in FY 2008 of \$7,999 by using a KU specific contract with HON over the state contract with HON. The Department is not aware of what KU and Fort Hays State University calculates was saved by curtailing purchases of KCI products.

Historically, the existence of the KCI program using inmate labor to provide goods to state agencies and the Department's interests in expanding the sales base for KCI products has been challenged as unfairly competing with private business. The Department believes that KCI products are competitively priced and that as a matter of public policy, the use of inmate labor as a reentry training tool for inmates enhances public safety.

The Department urges favorable consideration of HB 2433.

Senate Education Committee

Hearing on H.B. 2433

March 2, 2010

Chairman Schodorf and members of the Senate Education Committee, Wichita State University stands with the Board of Regents and the six Regents' institutions in Support of H.B. 2433. This bill, if passed, will increase flexibility, improve efficiency, and make us a more effective university during these difficult times.

Having the ability to look for better and less expensive alternatives to purchasing and disposal of surplus property would allow us to better meet the needs of our mission, students and community. Most importantly, this bill gives us another tool to deal with this difficult budget cycle. The cuts we have faced to date have been drastic and have forced us to reexamine how we provide a higher education. Having more options and better alternatives will help us reach our goal.

Wichita State University hopes that you can support H.B. 2433. Thank you for allowing us to submit testimony to that effect.

Andrew J. Schlapp

Executive Director of Government Relations

and Board of Trustees

316-650-6620

Senate Education
3-2-10
Attachment 4



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Testimony on HB 2433
Senate Education Committee
Bruce Shubert, Vice –President Administration and Finance
Susan Peterson Director of Governmental Relations, Office of the President
Kansas State University
March 2, 2010

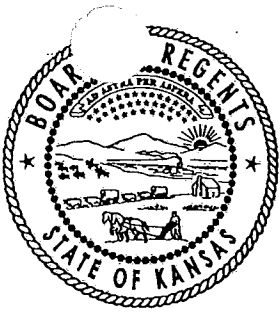
Chairman Schodorf and Members of the Senate Education Committee:

We are pleased to present this testimony in support of HB2433.

Kansas State University will work with the Kansas Department of Administration, the Kansas Board of Regents on the process to implement the provisions of HB 2433. We believe the passage of this legislation will benefit the university, through efficiency and increased accountability and transparency on university purchases.

We encourage your support of HB 2433.

Senate Education
3-2-10
Attachment 5



KANSAS BOARD OF REGENTS

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March 2, 2010

Senator Jean Schodorf, Chair
Senate Education Committee
Statehouse, Room 236-E
Topeka, KS 66612

Senator Anthony Hensley, Ranking Member
Senate Education Committee
Statehouse, Room 345-S
Topeka, KS 66612

Dear Chairwoman Schodorf and Ranking Member Hensley:

On behalf of the Kansas Board of Regents, I write to you in support of House Bill 2433, legislation that would make a successful purchasing pilot program permanent and would extend it to all six state universities. To date, **this pilot program has resulted in nearly \$2 million in savings.** As you may know, this legislation was approved by the House on February 10th by a 110-12 vote.

During the 2006 legislative session, Senate Bill 52 (K.S.A. 76-769) was enacted authorizing a pilot project for the purchasing systems of two state universities. The purpose of the pilot was to exempt participating state universities from certain basic state purchasing requirements (statewide purchasing contracts, state travel services, and the Prison Made Goods Act). In June 2006, the Board designated Fort Hays State University (FHSU) and the University of Kansas (KU) as the two institutions that would participate in the pilot project. The pilot project began in Fiscal Year 2008, and, if not re-authorized, will sunset at the conclusion of the current fiscal year (Fiscal Year 2010). In addition, it is important to note that the Legislative Division of Post Audit, in an August 2009 report entitled *State Universities: Can State Universities Provide Postsecondary Education More Efficiently To Reduce Costs*, highlighted the pilot project as a way for the six state universities to produce cost savings.

The Board's policy requires each participating state university to develop a plan for the administration of their purchasing system, and each must develop and maintain written policies and procedures ensuring that efficient internal controls are utilized. Pursuant to Board policy, FHSU and KU presented reports to the Board at its December 2008 and December 2009 meetings, and **they reported documented hard dollar savings totaling \$804,000 in Fiscal Year 2008 and \$1,021,000 in Fiscal Year 2009.** The Board was impressed by the reports and endorsed the pursuit of legislation that would: 1) make the pilot program permanent; 2) extend the flexibility allowed under the terms of the pilot program to the other four state universities; 3) expand the authority to exempt the state universities from the statutes covering the procurement of professional services, negotiated procurement processes, and mandated use of the State Division of Printing; and 4) broaden the exemption to fully include the University Press and certain real estate leases.

Senate Education
3-2-10
Attachment 6

As with all purchases made under this expanded authority, the Board, the Governor via the Division of Purchases, and the Legislature could still review and audit all completed purchasing transactions at any time. The Board concluded, based on hard data from the two-year pilot program, that these changes will provide the state universities with the necessary flexibility and latitude to pursue the best and most cost-effective source of supply and thus better respond to the extreme pressures of today's constrained State budget environment.

Thank you for your consideration of House Bill 2433.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. L. Robinson".

Reginald L. Robinson
President & CEO



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OFFICE OF THE PRESIDENT
Campus Box 4001

March 2, 2010

Senator Jean Schodorf, Chair
Senate Education Committee
Statehouse – Room 236-E
Topeka, KS 66612

Dear Senator Schodorf:

I am writing to request your support for House bill 2433 assigned to the Senate Education Committee. This bill has been requested by the Kansas Board of Regents and its Council of University Presidents and is related to improving financial efficiency in the University system. The bill has also received the endorsement of the Legislative Educational Planning Committee.

House Bill 2433 would allow all six state universities to permanently utilize purchasing authority which has been extended to two institutions on a trial basis during the most recent three years. The Legislation exempts the state universities from the traditional state purchasing statutes, allowing them instead to develop purchasing programs under the direction and authority of the Kansas Board of Regents. It also allows the Universities to continue to utilize the services of the Department of Administration, Division of Purchases.

Such a hybrid approach has worked to the benefit of the University of Kansas and Fort Hays State University, during the aforementioned trial period. Under certain circumstances, savings have been experienced through this approach. But more importantly, both institutions have experienced improved efficiency in their administrative processes as a result of a more streamlined approach to purchasing. We believe the legislation provides a classic win-win situation, preserving the services currently available to the universities and providing an option for a new approach.

We are hopeful the Committee will also give favorable consideration to the bill.

Sincerely,

Michael R. Lane
President

Senate Education Committee

Hearing on H.B. 2433

March 2, 2010

Testimony of Victoria White

Pittsburg State University

Chairperson Schodorf and Members of the Senate Education Committee: On behalf of Pittsburg State University, I am pleased to present this testimony in support of HB2433. We fully support this legislation and the progress it represents. HB 2433 would assist the Regents institutions in gaining administrative efficiencies.

PSU has watched with interest the purchasing pilot program being conducted at the University of Kansas and Fort Hays State University under KSA-76-769. Both institutions have reported gains in cost savings and operating efficiencies due to the program. It has also been PSU's experience that additional purchasing authority allows the University to operate more efficiently and save money.

An institution of higher education varies greatly from a typical state agency. For example, the variety of items purchased by a university is much boarder in scope. Timing and time constraints can also be less manageable. Requiring a higher education institution to follow the same purchasing process as the average state agency doesn't take into account the vast differences in the mission of the two entities. One agency is responsible for building and fixing roads, for example, the other is responsible for educating thousands of students in hundreds of different programs while maintaining an infrastructure the size of a small city. There are few similarities between the two. Trying to conform to policies written for the typical state agency can be very difficult for a university. Time and again it has proven to be detrimental for us.

The changes presented to you in HB2433 allow higher education in Kansas to operate in the most efficient way possible. These proposed changes would allow us to take full advantage of opportunities, such as purchasing cooperatives, available only to educational institutions. The changes would also allow the University to react quicker to rapidly changing trends in higher education.

Pittsburg State University strongly encourages you to support HB 2433.

Senate Education
3-2-10
Attachment 8