

March 16, 2016

The Honorable Amanda Grosserode, Chairperson
House Committee on Education Budget
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Grosserode:

SUBJECT: Fiscal Note for HB 2729 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2729 is respectfully submitted to your committee.

HB 2729 would effectively implement Education–K-12 and Higher Ed–Recommendation #5 from the *Kansas Statewide Efficiency Review* by Alvarez & Marsal.

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, 2016, would remain in effect until July 1, 2018. On July 1, 2018, all contracts still in existence would expire.

Estimated State Fiscal Effect				
	FY 2016 SGF	FY 2016 All Funds	FY 2017 SGF	FY 2017 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$467,000	\$467,000
FTE Pos.	--	--	--	6.00

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 FY 2017 and five-year savings totaling \$43.2 million. This recommendation 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 and that the state would implement the procurement efficiency recommendations.

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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 5,000 purchase requisitions a year generated through the Statewide Management, Accounting and Report Tool (SMART) system and managing approximately 3,500 contracts. HB 2729 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 can be very time consuming. The Department estimates 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 \$467,000 from the State General Fund and 6.00 FTE positions in FY 2017 to carry out the responsibilities in the bill. Of the total amount, \$420,000 would be for the salaries and wages expenses of 3.00 Procurement Officer FTE positions (one officer for each contracted good or service category in the bill) and 3.00 Administrative Assistant FTE positions; \$22,000 for one-time workstation set-up costs; \$10,000 for office space remodeling; \$2,000 for additional file storage space; \$3,000 for communications; \$8,000 for an additional multifunction copier; and \$2,000 for office supplies and consumables.

The Department states that it uses an e-procurement process through the SMART system to handle requests from state agencies. School districts are not part of this system. School districts would either need to be included in the SMART system or a manual system for requesting contracts to be bid would need to be established. At this time, there is no estimate for the cost to do any additional modifications to the SMART system to make the e-procurement process available to school districts.

The Division of the Budget concurs with the Department of Administration regarding the need for additional staff and resources to implement HB 2729 and other *Kansas Statewide Efficiency Review* recommendations that affect the Office of Procurement and Contracts. However, it is envisioned that, to the extent possible, existing agency positions and resources would be reallocated to the Department to minimize the need for new State General Fund appropriations.

The Department of Education indicates that the bill would not require additional state resources to the agency. Any fiscal effect associated with HB 2729 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

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