

STATEMENT OF PURPOSE

RS24482

This legislation is unanimously recommended by the members of the Purchasing Laws Interim Committee, which met from August 2015 to January 2016 to study the state purchasing laws and make recommendations for revisions. In proposing this legislation, the committee has two goals: to modernize and clarify the laws and to address specific issues that were identified in the committee's study.

This legislation recodifies the existing laws into a new chapter of the Idaho Code. Recodification will enable the laws to be found in one place dedicated specifically to state procurement. The term "procurement" will replace the term "purchasing" in code, as "procurement" more accurately describes the activities addressed by the laws. While the recodified laws are substantially similar in content to the existing laws, some language has been revised to reflect modern practices, to include updated terminology and to provide clarity where the language of the existing laws is confusing or unclear.

New language is also incorporated in the recodified laws to resolve issues with the current system as identified in the committee's Final Report. Training will now be required for all state officers and employees with procurement-related duties. Contract oversight will be required as well. The Administrator of the Division of Purchasing will be given more flexibility to grant exemptions from open contracts, which will enable state agencies to buy property elsewhere when the property available under an open contract is for some reason insufficient. State institutions of higher education will likewise be afforded more flexibility when choosing whether to buy property under an open contract.

Finally, a new ethics statute is included to clearly state the ethical standards expected of everyone involved in the state procurement process, including members of the private sector, such as vendors or their representatives. The ethics statute defines breaches of ethical conduct and provides penalties for the breaches.

FISCAL NOTE

The exact fiscal impact of this legislation depends on how the Division of Purchasing at the Department of Administration promulgates rules based on its statutory authority. The requirement to formulate rules for delegated authority and contract monitoring may take additional time and effort, and the extra reporting for statewide exemptions will have some impact on staff time at the Division of Purchasing, but that cost will be absorbed by existing dedicated fund sources.

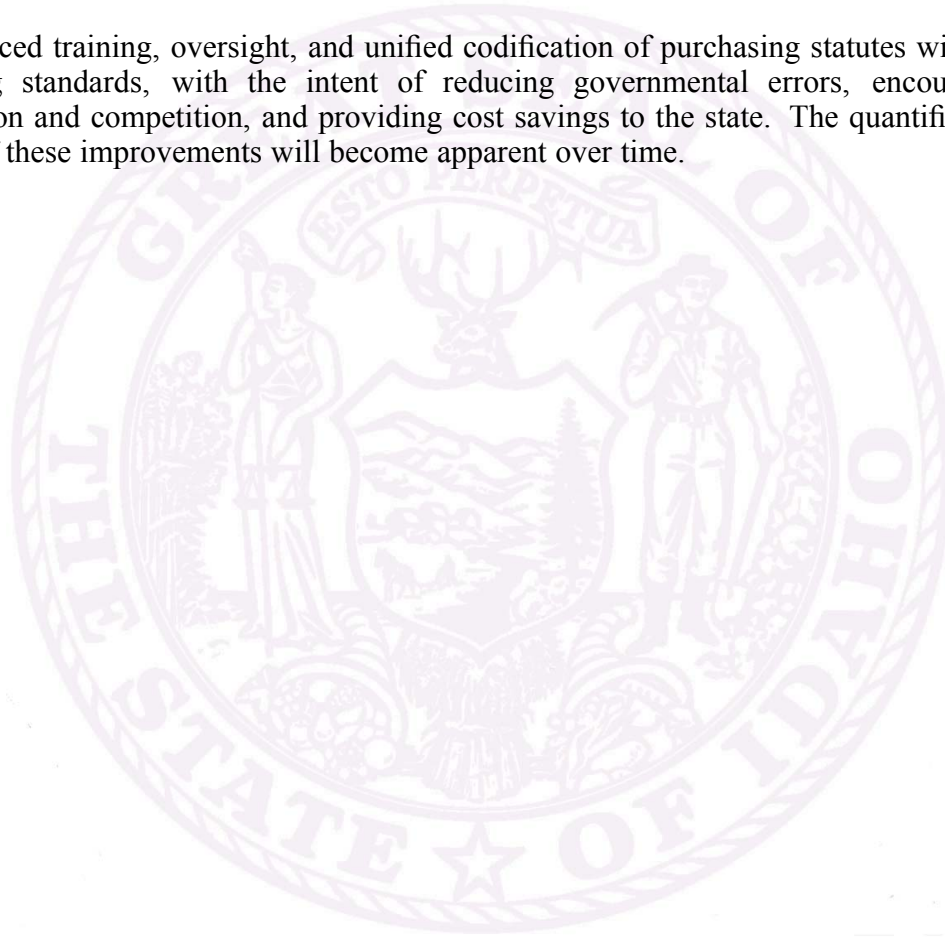
Contract oversight, management, and monitoring may have some fiscal impact on the state agencies should the Division of Purchasing require third party subject matter experts to oversee large value or high risk contracts. If such rules are promulgated, the cost estimate is approximately \$250,000 for the life of such contracts. The state estimates there may be approximately five new large value or high risk contracts issued annually, but the vast majority of contract management, monitoring, and oversight is overseen by existing state employees within existing agency budgets and will continue to operate this way.

Additionally, there will be a cost for enhanced training for all state employees. In FY 2016, the Department of Administration estimated a cost of \$136,000 in ongoing personnel costs to fill two vacant FTP and \$30,000 in ongoing operating expenditures. These FTP will expand the **Statement of Purpose / Fiscal Note** **H0538**

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procurement training program for all state purchasing personnel. The employees will develop, maintain, deliver and manage a statewide procurement training program through the Internet, in addition to on-site training throughout the state. The estimate also includes a learning management system to contain course content delivery, personnel registration/administration, training event management, curriculum and certification management, skills and competence management, training record management, and reporting. The ongoing cost of the learning management system will be absorbed through existing Division of Purchasing dedicated fund sources. The entire state will benefit from the addition of enhanced procurement training. Approximately 300 people will receive ongoing training, which will increase the competencies of all state employees involved in property acquisitions. It will provide consistency in how purchasing is performed throughout the state and reduce the need for employees to utilize national purchasing certification programs. Training programs will be centered on Idaho's statutorily-prescribed procurement processes, as well as general public procurement processes.

The enhanced training, oversight, and unified codification of purchasing statutes will modernize purchasing standards, with the intent of reducing governmental errors, encouraging local participation and competition, and providing cost savings to the state. The quantification of the benefits of these improvements will become apparent over time.



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