Report to the Streamlining Taskforce

Provided by the State of Maine
Department of Administrative and Financial Services
Division of Purchases

September 2011

Overview of State Procurement Authorities

Procurement activities within the State of Maine are authorized by three statutes:

- Department of Administrative and Financial Services, Division of Purchases, 5 MRSA 1811 Chapter 155 (General Procurement Activities).
- Department of Administrative and Financial Services, Bureau of General Services, 5 MRSA 1741 Chapter 153 (Improvement to Public Buildings).
- Department of Transportation, Various Chapters, 23 MRSA 52 (contracts …..for construction maintenance and use of all state and state aid highways and all other highways for which state funds are provided by law). DOT Procurement activities that fall outside 23 MRSA 52 are covered 5 MRSA 1811 Chapter 155 by the Division of Purchases.

The Role of the Division of Purchases

- The Division's primary function is to procure materials, supplies, equipment, and services that represent the *best value* to the State of Maine.
  - The term "best value" considers cost, but is not determined by cost alone. It may also consider a combination of factors, such as:
    - Accompanying services;
    - Other technical, experiential, and quality factors; and
    - Life-cycle cost (beyond purchase price).
- The Division is responsible for the procurement of non-construction-related goods and services for all State agencies.
  - The discretionary funds that State agencies may spend without the Division of Purchases' approval is called the "Open Market Limit", which is currently set at $5,000.
- The Division of Purchases conducts every aspect of the competitive procurement process for commodity purchases over the Open Market Limit.
- Individual State agencies conduct the competitive procurement process for service-related purchases, with oversight and approval from the Division of Purchases.
- For the purchase of commonly used commodities (such as office supplies, electrical components, laboratory goods, any many other examples) the Division of Purchases competitively establishes indefinite quantity term contracts for the use of all State agencies.

Procurement Statistics - FY 2011

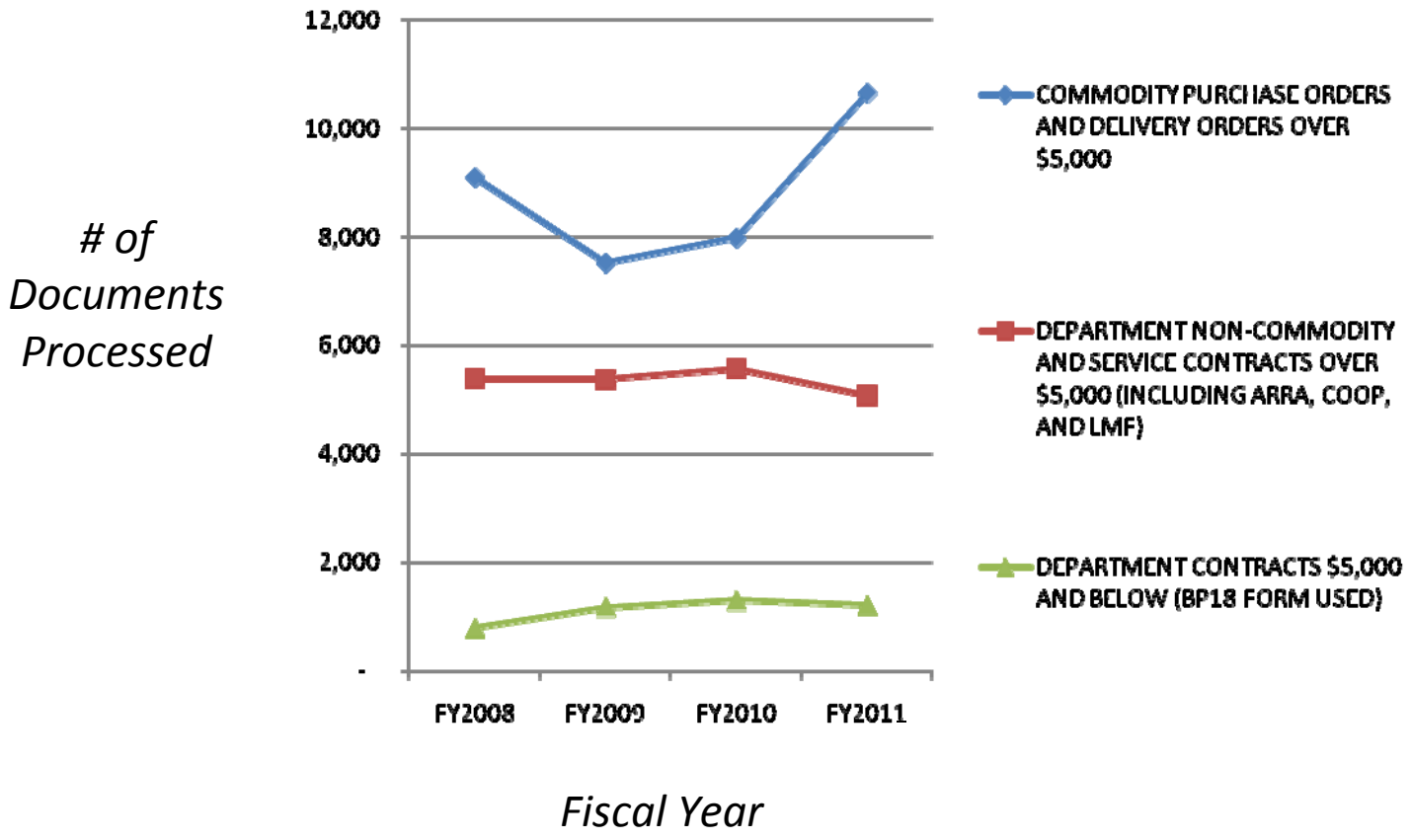
(documents/spend processed by the Division of Purchases)

Document Type	Dollars	# of Document	% of Workload
COMMODITY PURCHASE ORDERS AND DELIVERY ORDERS OVER $5,000 *	$ 94,795,258.91	10,647	62.88%
DEPARTMENT SERVICE CONTRACTS OVER $5,000 (BP54 FORM USED)	$ 529,395,569.14	4,723	27.89%
DEPARTMENT SERVICE CONTRACTS OF $5,000 AND BELOW (BP18 FORM USED)	$ 3,004,069.91	1,210	7.15%
ARRA (RECOVERY ACT) CONTRACTS	$ 22,876,033.79	177	1.05%
COOPERATIVE AGREEMENTS WITH THE UMAINE AND COMM. COLLEGE SYSTEMs	$ 28,050,404.50	148	0.87%
LAND FOR MAINE'S FUTURE CONTRACTS	$ 6,064,099.68	27	0.16%
TOTALS	**$ 684,185,435.93**	**16,932**	**100.00%**

** The Division does not process commodity purchases under $5,000, but administers a Procurement Card Program for agency use.*

Procurement Statistics – Transactional Volumes by Year

(processed by the Division of Purchases)



Cost Savings and Cost Avoidance

For clarity purposes, shown below are the Division of Purchases' operational definitions of the two subject terms:

•**Cost Savings**: Funds that are identified by the Division of Purchases as a result of beneficial procurement actions, and are reported to the Bureau of the Budget in order to be removed from agency budgets. For the purposes of this presentation, "cost savings" include funds that have been reported/removed, and funds that are *intended* to be reported/removed in the near future.

•**Cost Avoidance**: Funds that are identified by the Division of Purchases as a result of beneficial procurement actions, but are not reported to the Bureau of the Budget and are therefore "kept" by the agency for other agency-specific purchases. The reasons for not reporting such funds vary, but the primary reason is that legislation currently only allows for the identification of "cost savings" from the General Fund monies of Executive agencies. Non-General Fund monies, or General Fund monies from non-Executive agencies, are generally not "saved".

Cost Savings

- Public Law, Chapter 213, Part UU, and Public Law, Chapter 571, Part A, established the following General Fund cost savings targets (for identification by the Division of Purchases newly formed cost savings team):

  FY10: $237,843 (Chap. 213, Part UU) ✅ *achieved*
  FY11: $247,260 (Chap. 213, Part UU) ✅ *achieved*
  FY11: $100,000 (Chap. 571, Part A) ✅ *achieved*
  Total: $585,103

- General Fund Biennial Budget 2012-2013, Part A (page A-14), established the following General Fund cost savings targets for the cost savings team

  FY12: $2,000,000 🟠 *in progress*
  FY13: $2,000,000 🟠 *in progress*
  Total: $4,000,000

Cost Savings

Shown below is a summary of the General Fund cost savings ***achieved*** for FY10 and FY11 targets (relating to targets noted on the previous page):

– FY10 Chap. 213, Part UU Target:

Initiative	Cost Savings Value
Direct Printer Toner Purchasing (vs. Central Warehouse delivery)	$ 15,384.00
Unused Balance Capture from DHHS Alternative Response Program	$ 222,459.00
Total:	***$ 237,843.00***

– FY11 Chap. 213, Part UU Target:

Initiative	Cost Savings Value
Direct Printer Toner Purchasing (vs. Central Warehouse delivery)	$ 40,895.00
Unused Balance Capture from DHHS Alternative Response Program	$ 206,365.00
Total:	***$ 247,260.00***

– FY 11 Chap. 571, Part A Target:

Initiative	Cost Savings Value
Statewide American Sign Language Interpreter Services	$ 14,963.00
Multi-State Cooperative Agreement for Drug Testing Kits	$ 70,111.00
Video/Teleconferencing at DHHS Regional Medical Center at Lubec	$ 12,762.00
Negotiated Electrical Supplies Contract Extension	$ 2,164.00
Total:	***$ 100,000.00***

Cost Savings

Shown below is a summary of the General Fund cost savings ***intended*** for FY12 and FY13 targets (targets noted two pages prior to this one):

– FY12 Target from Biennial Budget:

Initiative	Cost Savings Value	
Implementation of Program for Acquisition of Temporary IT Services	$ 150,000.00	
Re-negotiated Labor Rates for Corrections' "CORIS" IT System (est.)	$ 40,000.00	
Re-competition of Statewide Printer Lease Agreement	$ 161,441.00	
Direct Office/Copy Paper Purchasing (vs. Central Warehouse delivery)	$ 37,404.00	
Re-competition of "Coarse Paper" (toilet paper, tissue, towel) Contracts	$ 23,337.00	
Unused Balance Capture from to-be-identified State Contracts	$ 1,587,818.00	*
Total:	***$ 2,000,000.00***	

– FY13 Target from Biennial Budget:

Initiative	Cost Savings Value	
Implementation of Program for Acquisition of Temporary IT Services	$ 150,000.00	
Re-negotiated Labor Rates for Corrections' "CORIS" IT System (est.)	$ 40,000.00	
Re-competition of Statewide Printer Lease Agreement	$ 161,441.00	
Direct Office/Copy Paper Purchasing (vs. Central Warehouse delivery)	$ 37,404.00	
Re-competition of "Coarse Paper" (toilet paper, tissue, towel) Contracts	$ 23,337.00	
Unused Balance Capture from to-be-identified State Contracts	$ 1,587,818.00	*
Total:	***$ 2,000,000.00***	

* Specific contracts have been identified and are being verified for appropriate Cost Savings actions. It is generally more accurate to review "unused balances" later in the fiscal year, to ensure that the funds identified are not required for programmatic success within that year.

Cost Avoidance

As noted previously, the Division of Purchases also secures cost avoidance for State agencies, which is not removed from agency budgets (unlike "cost savings"). This occurs, as described below, through the Division's cost savings team.

•The Division of Purchases cost savings team has secured cost avoidance in the following categories:

- Cost avoidance for non-General Fund accounts of Executive branch agencies (legislation only allows for "cost savings" of General Fund monies);
- Cost avoidance for General Fund accounts of non-Executive branch agencies (legislation and the separation of powers only allows for "cost savings" from Executive branch agencies); and
- Cost avoidance for General Fund accounts of Executive branch agencies (this is only achieved when legislative cost savings targets have been reached, and this is considered "cost avoidance" and not "cost savings" because authority is only granted to remove the *targeted* amount of funds from agency budgets).

Cost Avoidance

The following are examples of cost avoidance. These funds have not been removed from agency budgets (with the reason listed at right).

Initiative	Cost Avoidance Value	Reason not removed from Budgets
Multi-State Cooperative Agreement for Hearing Aids	$ 230,313.00	*Non-General Fund monies*
Re-negotiated Labor Rates for MRS "MERITS" IT System	$ 32,545.00	*Non-General Fund monies*
Extension of Statewide Office Supplies Contract w/o Price Increases	$ 37,693.00	*Increase avoided, but not a discount*
Implementation of Program for Acquisition of Temporary IT Services	$ 1,479,335.00	*Non-General Fund and Non-Exec monies*
Unused Balance Identification from DHHS Contracts	$ 1,800,000.00	*General Funds beyond FY11 target*
Total:	***$ 3,579,886.00***	

Additional Questions?

The Division of Purchases would be happy to answer additional questions at any time, or provide any supplemental information, if requested.

Thank you.