



DEPARTMENT OF MANAGEMENT  
**SERVICES**

4050 Esplanade Way • Tallahassee, Florida 32399-0950

LAWTON CHILES, GOVERNOR

WILLIAM H. LINDNER, SECRETARY

February 9, 1996

Suite 335

MEMORANDUM NO.: 15 (95-96)

MEMORANDUM TO: State Department Administrative Services Directors  
State Department Directors of Purchasing

FROM:  George C. Banks, CPPO  
Director, Division of Purchasing

SUBJECT: Legislative Proposal for 1996 -  
Shared Savings Procurement Program

The Department of Management Services is planning to propose legislation relating to trust funding part of the Division of Purchasing by imposing a surcharge. General revenue appropriations have not been available to provide for new innovative purchasing initiatives and purchasing services. We would also like to discuss some other issues and consider your comments in finalizing our legislative proposal.

There will be a meeting on Friday, February 16, 1996, at 9:00 a.m. in the Division of Purchasing's Bid Room, 301 of Building 4050 Esplanade Way. We would appreciate your attendance at this meeting, so that we may collectively discuss how these issues can be mutually beneficial.

Please call me at 488-7303 with any questions you may have concerning this meeting.

GCB/ew

Attachment

## Department of Management Services

### Legislative Proposal for 1996

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ISSUE DESCRIPTION: Shared Savings Procurement Program

CONTACT PERSON: George Banks

TELEPHONE NUMBER: 488-7303

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**CURRENT SITUATION:** The procurement function managed by the department pursuant to Chapter 287, Part I, allows state agencies and local governments to save money through volume pricing and reduced administrative costs, but is generally viewed as regulatory rather than helpful and customer focused. The funding of the program from the state's General Revenue Fund has been consistently reduced over the past several years which has diminished its ability to provide a convenient way to buy needed goods and services at very competitive prices. The practical effects of the program's budget reductions have been to shift the workload to state agencies and local governments without the resources to accomplish the work and to dilute the savings associated with volume pricing.

Although local governments buy 60 to 70% of items purchased through state term contracts, they do not financially support the program's costs. This proposal would provide an equitable way to allocate the costs of the program to the users and require the program to become more customer focused as a buying service for state and local government.

#### PROPOSED CHANGE W/ DESCRIPTION:

Create s. 287.1345 to read as follows:

**287.1345 Department of Management Services authorized to surcharge users for state term contracts; deposit of proceeds collected.** --The Department of Management Services may impose a surcharge to users of its state term contracts in order to fund its costs of the procurement function, including overhead. The department may provide for the state term contract vendor to collect the surcharge or directly collect the fee from the public agency involved. The fees collected pursuant to this section shall be deposited in the Grants and Donations Trust Fund of the department and subject to appropriation as provided by law. The Executive Office of the Governor may exempt certain transactions from the payment of the surcharge if payment of such surcharge would cause the state, a political subdivision, or unit of local government to lose federal funds or in other cases where such exemption is in the public interest. The fees collected pursuant to this section and interest income thereon shall not be deemed to be income of a revenue nature for purposes of Ch. 215.

**JUSTIFICATION FOR CHANGE:** This proposal would infuse an entrepreneurial focus to the program under a shared savings concept.

BACKGROUND/LEGISLATIVE HISTORY (INTERIM PROJECT?): No

SOURCE OF PROPOSAL/ISSUE (ORIGIN): Department of Management Services

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POTENTIAL SPONSORS: Senator Kirkpatrick, Representatives Miller, Mackey & Pruitt

POTENTIAL DRAFTERS: DMS staff

PROponents/OPponents: State agencies and local governments who perceive that they are receiving the service for free under the current funding structure. Some vendors may oppose because of the workload associated with collecting and reporting surcharge fees to the Department.

OTHERS WHO MAY GENERATE THIS ISSUE: Members and staff in the legislature who want to divert the program's general revenue to other functions.

REVENUE IMPACT: Assuming that local governments continue to buy 67% of the items purchased from state term contracts, it is estimated that the fees generated will approximate \$2.4 million from local governments and \$1.2 million from state agencies based upon the current operating budget of the program upon full migration. It is estimated that it will take three or four years to fully migrate the program's funding from general revenue to trust.

APPROPRIATION IMPACT: None assuming that the surcharge is absorbed from the current operating budget of the agencies. DMS would urge that the state agencies be provided their proportionate increased costs during the migration.

RELATED LEGISLATIVE BUDGET REQUEST: N/A

IMPACT ON OTHER AGENCIES: State agencies are currently required by law to buy from state term contracts unless prior approval is granted by the Department. The Department is willing to remove this requirement on goods and services for which it imposes the surcharge fees authorized in this proposal. Agencies would then have the option of using state term contracts or perform the purchasing function internally.

Date \_\_\_\_\_

Secretary Approval \_\_\_\_\_