

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 315** SLS 14RS 272
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 1, 2014 8:25 AM **Author:** DONAHUE
Dept./Agy.: Higher Education **Analyst:** Charley Rome
Subject: Group Purchasing and Cooperative Purchasing Provisions

PROCUREMENT CODE RE DECREASE GF EX See Note Page 1 of 1

Provides relative to group purchasing and cooperative purchasing provisions of certain public postsecondary education institutions. (7/1/14).

Proposed law provides that any public postsecondary education institution seeking to utilize its own group purchasing and cooperative purchasing procurement provisions shall submit a request for and obtain the approval of its management board and the Board of Regents. The requesting public postsecondary education institution shall adopt rules and regulations in accordance with the Administrative Procedure Act. Proposed law further provides that the Louisiana Procurement Code provisions relative to group purchasing and cooperative purchasing shall not apply to any public postsecondary education institution that has requested its own group purchasing and cooperative purchasing procurement provisions and has been approved by its management board and the Board of Regents or adopted its own group purchasing and cooperative purchasing procurement provisions pursuant to rules and regulations adopted in Administrative Procedure Act. Authority for an institution to participate in group purchasing and cooperative purchasing procurement shall be for an initial term of three years, and for an additional five years upon approval of JLCB. Requires annual reports to JLCB. Effective July 1, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation will decrease higher education expenditures from all means of finance by indeterminable amounts.

Higher education management boards report that institutions will incur initial costs to implement group purchasing and cooperative procurement provisions per the bill, but will be able to do so with existing staff and resources. Once implemented, most management boards anticipate savings to their institutions, but are unable to estimate potential savings at this time. Actual savings would have to be determined on a case-by-case basis comparing current expenditures for existing commodity or service expenditure compared to prices obtain via group/cooperative purchasing as allowed by the proposed legislation.

The LSU Health Sciences Center – New Orleans projects annual savings of approximately \$2.1M per year due to the group and cooperative purchasing authorities granted by the bill. Most of LSU HSC-NO's projected savings are attributable to reductions in costs for supplies (\$1.7M), with the remaining \$400,000 due to anticipated equipment acquisitions savings. Other institutions in the LSU system were unable to quantify potential savings attributable to the bill. However, institutions in the LSU system generally anticipate savings from adoption and use of group/cooperative purchasing consortia accessing competitively bid contracts. The LSU system also reported that institutions would reduce procurement costs through electronic/internet based catalog shopping for smaller purchases currently done through traditional retail suppliers.

The LCTCS reports spending a relatively small portion of institution's budgets on acquisitions (approximately \$1.6 million per year through state purchasing). The LCTCS does not anticipate significant savings from the proposed legislation given the relatively small amount of purchases by LCTCS institutions compared to larger post-secondary institutions in the state.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} *Evan Brasseaux*
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} **Evan Brasseaux**
Staff Director