

**FISCAL AND ECONOMIC IMPACT STATEMENT  
FOR ADMINISTRATIVE RULES**

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Return Address:	<u>LSU</u>	Rule Title:	<u>University Pilot Procurement Code</u>
	<u>213 Thomas Boyd Hall</u>		
	<u>Baton Rouge, LA 70803</u>	Date Rule Takes Effect:	<u>TBD</u>

**SUMMARY**

(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

**I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)**

*Pursuant to Act 749 of the 2014 Louisiana Legislative Regular Session and Louisiana Revised Statutes 17: 3139.5(5)(c)(i) which allows the implementation of a pilot procurement code, the proposed administrative rules will result in an overall net decrease in university expenditures associated with increased competitiveness of solicitations. The pilot procurement code allows LSU to improve operational efficiency and effectiveness by streamlining processes where there has been redundancy and inefficiency of multiple levels of administrative review and approvals. It provides for multiple solicitation methods chosen specifically to increase competition as well as the use of cooperative purchasing agreements that have been competitively awarded by cooperative buying organizations. Cooperative purchasing agreements allow the use of competitively negotiated pricing catalogs for small dollar purchases resulting in an additional level of competition to be completed quickly and efficiently. Many such purchases are now made at retail prices without competition. LSU will also achieve savings through the use of reverse auctions where the price decreases as sellers compete to offer lower bids than their competitors while still meeting all of the specifications of the original contract. LSU estimates savings of approximately \$2.5M from cooperative purchasing agreements and reverse auctions over the next three fiscal years.*

*The bids/proposals/offers are expected to result in substantial savings by receiving lower prices through the comparison of prices available in a broader marketplace. Other states that have adopted pilot procurement codes specifically for higher education have realized savings through the establishment of best practices and policies in the area of procurement.*

*It is possible LSU could achieve savings in FY 16 and thereafter from authority granted in the proposed rules to procure insurance services. However, LSU does not anticipate using the Pilot Procurement Code for the initial acquisition of insurance in FY 15 authorized under R.S. 17:3139.5(5)(c)(iii) and approved by the JLCB. LSU will use authority under the Office of Risk Management (ORM) in FY 15.*

*Additional personnel or equipment is not anticipated to implement the pilot procurement code.*

**II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)**

*There should be no effect on revenue collections of state or local governmental units.*

**III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)**

*There is no anticipated impact on businesses due to the implementation of the pilot procurement code. The code will continue to award contracts on a competitive basis and all businesses will be encouraged to continue to participate in all solicitation events.*

**IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)**

*The proposed administrative rules may increase competition among various businesses providing commodities and services to the university. It is anticipated that businesses will have greater opportunity to demonstrate value to the university versus just lowest cost. This is expected because of the ability to utilize procurement methods based on more than just cost, but, service, delivery and quality. The university does not anticipate a negative effect on local businesses as a result of this rule.*

\_\_\_\_\_  
Signature of Agency Head or Designee

Sally A. McKechnie, Director – Procurement Services

\_\_\_\_\_  
Typed Name & Title of Agency Head or Designee

September 18, 2014

\_\_\_\_\_  
Date of Signature

\_\_\_\_\_  
Legislative Fiscal Officer or Designee

\_\_\_\_\_  
Date of Signature

### FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

*The proposed rules are to establish a pilot procurement code for LSU pursuant to Act 749 of the 2014 Louisiana Legislative Session, as authorized in La. R.S. 17:3139.5(5)(c)(i) referred to as the La Grad Act in place of Louisiana Procurement laws La. R.S. 39:15.3, 196-200, 1481 through 1526 and 1551 through 1755.*

*LSU entities covered under the Procurement Code include those under the supervision and management of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College that participate in the shared services agreement*

- B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

*The demand for greater productivity, efficiency and spending restraint in American public higher education continues to grow. State cutbacks in funding for public universities, combined with increased student enrollments, have made it imperative for institutions to scrutinize current spending and implement new reforms and practices that fully leverage taxpayer and tuition dollars being spent, while ensuring accountability.*

*Act 749 of the 2014 Louisiana Legislative Regular Session identifies La. R.S. 17:3139.5(5)(c)(i) as the legislation that allows the initial qualifying institution (LSU A&M) to establish a pilot procurement code for procurement autonomy.*

- C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

*The proposed rules will not result in an increase in the expenditure of funds. Use of additional competitive methods will result in greater efficiencies, more competition, purchases at lower prices and overall university savings.*

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) \_\_\_\_\_ Yes. If yes, attach documentation.

(b)   x   NO. If no, provide justification as to why this rule change should be published at this time



**FISCAL AND ECONOMIC IMPACT STATEMENT**

**WORKSHEET**

**I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED**

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

*Pursuant to Act 749 of the 2014 Louisiana Legislative Regular Session and the Louisiana Revised Statutes 17: 3139.5(5)(c)(i) (LA Grad Act) which allows for the implementation of a pilot procurement code, the proposed administrative rules may result in an overall net decrease in university expenditures associated with implementation and the increased competitiveness of solicitations. The pilot procurement code allows the university to improve operational efficiency and effectiveness. It reduces the redundancy and inefficiency of multiple levels of administrative reviews and approvals. It provides for multiple solicitation methods chosen specifically to increase competition and the use of cooperative purchasing agreements that have been competitively awarded by cooperative buying organizations. Cooperative purchasing agreements will allow the use of catalogs for small dollar item purchases that can be compared through electronic catalogs thus allowing a second level of competition for small purchases. Many such purchases are now made at retail prices without competition. LSU will also achieve savings through the use of reverse auctions where the price decreases as sellers compete to offer lower bids than their competitors whilst still meeting all of the specifications of the original contract. LSU estimates savings approximately \$2.5M from cooperative purchasing agreements and reverse auctions over the next three fiscal years.*

*The bids/ proposals/ offers are expected to result in substantial savings by receiving lower prices through the comparison of prices available in a broader marketplace. Other states that have adopted pilot procurement codes specifically for higher education have realized savings through the establishment of best practices and policies in the area of procurement. While the savings will be difficult to measure depending on the solicitation method, good/ service purchased and the strategic decisions resulting from analysis of spending patterns, flagship institutions such as the University of Virginia, Colorado, Kansas and Oregon report success. Additional personnel and equipment to implement the pilot procurement code are not anticipated.*

*It is possible LSU could achieve savings in FY 16 and thereafter from authority granted in the proposed rules to procure insurance. However, LSU does not anticipate using the Pilot Procurement Code for the initial acquisition of insurance in FY 15 authorized under R.S. 17:3139.5(5)(c)(iii) and approved by the JLCB. LSU will use authority under the Office of Risk Management (ORM) in FY 15.*

<b>COSTS</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>
Personal Services	N/A	N/A	N/A
Operating Expenses	N/A	N/A	N/A
Professional Services	N/A	N/A	N/A
Other Charges	N/A	N/A	N/A
Equipment	N/A	N/A	N/A
Major Repairs & Constr.	N/A	N/A	N/A
<b>TOTAL</b>	<b>Decrease</b>	<b>Decrease</b>	<b>Decrease</b>
<b>POSITIONS (#)</b>	- 0 -	- 0 -	- 0 -

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

*University procedures, forms and contracting documents will be adapted to efficiently and effectively comply with the proposed rules. Costs savings will be associated with the ability to use more competitive procurement methods, including the use of cooperative buying agreements and reverse auctions.*

3. Sources of funding for implementing the proposed rule or rule change.

*There is no anticipated need for funding to implement the proposed rule. Existing staff and resources will be used.*

<b>SOURCE</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 16</b>
State General Fund	- 0 -	- 0 -	- 0 -
Agency Self-Generated	- 0 -	- 0 -	- 0 -
Dedicated	- 0 -	- 0 -	- 0 -
Federal Funds	- 0 -	- 0 -	- 0 -
Other (Specify)	- 0 -	- 0 -	- 0 -
<b>TOTAL</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

*Not applicable.*

**B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.**

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

*There will be no impact on local government units concerning workload and paperwork requirements.*

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

*There will be no impact on funding of local government units as a result of the adoption of these rules.*

**II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS**

- A. What increase (decrease) in revenues can be anticipated from the proposed action?

*There will be no increase or decrease in revenues as a result of using the pilot procurement code.*

<b>REVENUE INCREASE/DECREASE</b>	<b>FY 15</b>	<b>FY 16</b>	<b>FY 17</b>
State General Fund	- 0 -	- 0 -	- 0 -
Agency Self-Generated	- 0 -	- 0 -	- 0 -
Dedicated Funds*	- 0 -	- 0 -	- 0 -
Federal Funds	- 0 -	- 0 -	- 0 -
Local Funds	- 0 -	- 0 -	- 0 -
<b>TOTAL</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>

\*Specify the particular fund being impacted.

- B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

*There should be no effect on revenue collections of state or local governmental units.*

## FISCAL AND ECONOMIC IMPACT STATEMENT

### WORKSHEET

#### III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS

- A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

*There is no anticipated impact on business due to the implementation of the pilot procurement code. The additional competitive processes will provide different methods of solicitation by which business may participate. The university does not anticipate a disproportionate effect on directly affected persons or non-governmental groups as a result of this rule. The code will continue to award contracts on a competitive basis and all businesses will have the ability to continue to participate in all solicitation events.*

- B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

*There should not be any impact on receipts and/or income resulting from using the pilot procurement code.*

#### IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

*The proposed administrative rules may increase competition among businesses providing commodities and services to the university. A positive impact to the businesses in the community is expected, by allowing more means and methods of competition.*