

# Modernizing State Purchasing:

Making the Most of Every Taxpayer  
Dollar in Oregon's \$8 Billion  
Procurement System

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STATE OF OREGON  
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## Vision

*Create a modern, innovative state purchasing system for goods and services that delivers great value to the State of Oregon and saves Oregon taxpayer dollars.*

## Executive Summary

*Oregon's state agencies spend about \$8 billion each biennium purchasing goods and services. This amount represents approximately 10 percent of the state budget—close to the amount of state funds spent on the K-12 education system. Creating efficiency in procurement brings a tremendous opportunity to save money, opening up more state funds to be spent directly on education or critical social services that help Oregon's families.*



*The core components of Governor Brown's vision for saving money and managing an effective state procurement system are:*

- 1. Track and manage agency purchases under one unified technology system*
- 2. Ensure that Oregon's small and emerging businesses have opportunities to compete and win state contracts*
- 3. Prioritize price when evaluating contractors*
- 4. Demand the best deal for taxpayers by regularly re-negotiating existing state contracts*
- 5. Increase competition in state contracting by implementing new tools*
- 6. Require agencies to use new space optimization rules when purchasing or leasing space*



## Background

Most of Oregon's 85 state agencies operate under one uniform set of purchasing rules that they must follow, but no consistent system to track and manage or generate detailed reports about their spending. This results in a lack of accountability at the agency level and missed opportunities to figure out how to save money.

More importantly, state government has not been pushed to constantly update best practices around purchasing. State government does not have a culture around coordinating needs and emphasizing best price when it comes to buying goods and services. Governor Brown has been working to change that by empowering employees to advocate to preserve taxpayer dollars in every purchase.

In response to HB2375 (2015), the Department of Administrative Services (DAS) prepared a report on best practices in procurement. The report focused on the training requirements in the bill as a key way to promote the use of best practices by Oregon procurement staff, saying that "the statutory and rule structure in place for public procurement in Oregon aligns with broadly accepted best practice. This foundation supports many positive practices within agencies, but must be reinforced with ongoing training and agencies must regularly review policies to include lessons learned."

The National Association of State Procurement Officers (NASPO) supports the use of order-to-pay eProcurement as a path to reducing costs, improving and unifying processes, and providing data to enable



conduct of government-to-business electronic trade.<sup>1</sup> Implementation of an enterprise eProcurement system will also assist with spend analysis, measuring performance and success within procurement functions, and supporting IT procurement actions within a rapidly-changing market.

An outside report on procurement practices in Oregon contains several best practice recommendations, and implementation is already underway on some of those.<sup>2</sup> The report supported both increased training and eProcurement as tools to improve adoption of best practices, and also recommended the prioritization of contract management across the enterprise to enhance the performance of existing contracts.

## Recent Accomplishments

In early 2017, the Governor put an increased focus on procurement. Since that time, significant actions have been taken, including the following:

Directed the Chief Procurement Officer to renegotiate existing and long-term state contracts to achieve cost savings. This re-negotiation resulted in a reduction of cost for the following purchase categories:

- Four business consulting firms with statewide price agreements agreed to a 7.9 percent rate reduction.
- A supplier for copiers agreed to a 5.6 percent equipment discount on new placements.

1. "ERP and eProcurement Systems," Research Paper, National Association of State Procurement Officials. June 2013.

2. "Enterprise Procurement Improvements Final Report," Ikaso Consulting LLC, June 2013.



## Modernizing State Purchasing: ACCOMPLISHMENTS

- Two suppliers of tools and industrial supplies agreed to category discounts ranging from 1 to 13 percent.
- A widely-used airline agreed to an additional 5 percent fare reduction on state employees' five most-frequently travelled routes.
- A large food distributor agreed to temporary price decreases on 400+ supply items (one-year discount).

Issued an executive order for new rules to be written about optimizing state office space. Agencies are now required to take steps to save money in their facility use and purchases.

Passed legislation specific to modernizing procurement practices (SB1565) that included:

- Requiring agencies to use price as a significant factor when agencies evaluate contract proposals.
- Piloting the use of an online reverse auction format to save money on procurements.

Signed an executive order to promote economic equity in public contracting by requiring state agencies to support Oregon's minority-owned, women-owned, service-disabled veteran-owned, and emerging small businesses. This executive order creates systems to train, educate and support competition from Certification Office for Business Inclusion and Diversity (COBID) Certified Firms while also placing requirements on state agencies to solicit and award contracts.



## The Governor's Strategies:

- ONE:** *Track and manage agency purchases under one unified technology system*
- TWO:** *Ensure that Oregon's small and emerging businesses have opportunities to compete and win state contracts*
- THREE:** *Prioritize price when evaluating contractors*
- FOUR:** *Demand the best deal for taxpayers by regularly re-negotiating existing state contracts*
- FIVE:** *Increase competition in state contracting by implementing new tools*
- SIX:** *Require agencies to use new space optimization rules when purchasing or leasing space*



## **ONE:** Track and manage agency purchases under one unified technology system

Doing a better job managing money means tracking it closely and consistently. Governor Brown supports the work started by ten state agencies to define and select a modern eProcurement system known as OregonBuys. The group is currently only authorized to deploy eProcurement in a limited capacity, and Governor Brown wants this program scaled up and implemented statewide. At the direction of Governor Brown, DAS is seeking legislative approval in December 2018 to expend self-generated funds for a statewide deployment launching in January 2019. Agencies will have access to the new system in phases and will complete implementation within two years. Agencies can use the system to analyze spend data and patterns, and negotiate contracts that leverage the state's buying power to achieve greater cost savings. During implementation, DAS will develop policies requiring state agencies to cooperate in pooling their buying power to support strategic sourcing efforts.

## **TWO:** Ensure that Oregon's small and emerging businesses have opportunities to compete and win state contracts

Governor Brown signed an executive order in March 2018 directing agencies to develop policies that improve contracting and procurement practices to eliminate bias and barriers for businesses owned by minorities, women, service-disabled veterans, and emerging small businesses.



To further the impact in this arena, the Governor has directed her office of Diversity, Equity, and Inclusion to work with partner agencies to accomplish these key goals toward successfully implementing the executive order.

- Business Oregon must ensure that processing of an application for certification, upon receipt of all necessary supporting documentation, will occur within 60 days.
- Marketplace outreach events must be held across the state to support, educate, and train small businesses how to successfully compete for and obtain state contracts.
- Agencies, under the Governor's steering committee, must develop initiatives and community engagement plans to successfully solicit and award state contracts to COBID Certified Firms. The steering committee will be responsible for providing guidelines and report templates to all state agencies. By 2020, all agencies will report to the Governor's Office of Economic and Business Equity on a quarterly and annual basis regarding the agency's utilization of COBID Certified Firms.

### **THREE:** Prioritize price when evaluating contractors

At the direction of the Governor, DAS is on track to full implementation of the requirements of SB1565 by January 1, 2019, by setting the weighting for price at no less than 30 percent when conducting requests for proposals. DAS is also evaluating the results of this effort and recommending additional categories where state agencies can place higher emphasis on price when making contracting decisions.



## **FOUR:** Demand the best deal for taxpayers by regularly re-negotiating existing state contracts

At the direction of the Governor, DAS is renegotiating state contracts at the time of renewal. As part of this effort, agencies will use spend data to negotiate deeper discounts, and evaluate whether best pricing will be achieved by renewing with the current firm or by going out to bid for new contracts.

## **FIVE:** Increase competition in state contracting by implementing new tools

In January 2019, DAS will launch a pilot of an on-line reverse auction authorized in SB1565. DAS has consulted with other states who utilize the reverse auction method and has formed a project team to implement this new approach. Ten major procurements will be conducted using this method during 2019, and its effectiveness will be evaluated for further expansion beginning in 2020.

## **SIX:** Require agencies to use new space optimization rules when purchasing or leasing space

DAS just completed their new office space optimization rules and will be consulting with agencies during 2018 to review how the new policy can support agency cost- and space-saving initiatives. These rules will help agencies define best practices as it relates to the appropriate amount of square footage per employee, lease vs. purchase options for state facilities, the use of storage by state agencies and how to use alternative work space and telecommuting options to maximize space and cost savings. In 2019, DAS will partner with agencies to implement these measures in their existing spaces and then use the policy as a guide as agencies seek future relocation services.

