

STATE EXPENDITURES BACKGROUND

The Department of General Services (DGS) serves as the business agent for California State Government. In this role, the DGS Procurement Division provides purchasing and technical support services to assist state and local agencies in buying goods, services, and information technology. The State of California spends billions of dollars each year for products and services from California businesses.

DGS Procurement Division sets state procurement policies and has implemented the eProcurement system (eP) that includes access for state employees and potential vendors to bidding opportunities, the state contracts register, small and disadvantaged business services, and the State Contracting and Procurement Registration System (SCPRS).

The State Contracting and Procurement Registration System (SCPRS-pronounced skippers) resulted from Executive Order D 55-02 in 2002 under the Davis Administration following the Oracle contracting scandal. Its purpose was to follow contract information and registration for internal procurement purposes. The move towards transparency in government led to SCPRS use in providing public access at the lowest cost until better monitoring systems become available.

SCPRS data is now a part of the State's new eProcurement (eP) data tracking system. On March 16, 2009, DGS initiated an online version of SCPRS that tracks contracts and expenses incurred by state agencies broken down by department and line item. According to DGS, additional phases of the system are still being placed in use by additional departments but it is nearly complete. Reporting is performed on a weekly basis now.

FURNITURE PURCHASES

While purchases of vehicles have some required oversight and review, furniture purchases do not seem to be subject to similar controls.

New or replacement furniture purchases are controlled mainly by budget authority. The Department of Finance examines whether a department's support budget will cover the costs for a furniture acquisition request. If so, then the department may work with the Department of General Services (DGS) to design and purchase furniture or it may operate independently to take care of the design and acquisition.

DGS facilitates the use of a department's funds but not specifically the approval of the expense. According to the DGS, furniture cannot be replaced purely for aesthetic purposes. New furniture must also conform to Proposition 65 as it relates to hazardous materials in the workplace when purchasing new furniture but it cannot be replaced simply because it is constructed of materials approved for use prior to Prop. 65.

The costs for furniture, which used to be greatly reduced by using the Prison Industry Authority (PIA) have equalized over time as costs associated with PIA have risen. State agencies are required to purchase PIA furniture unless there are volume or timing requirements it cannot meet. Purchases are not allowed from other vendors simply because of aesthetic choices like color or fabric.

In reviewing furniture purchases for this hearing, these four agencies spent the largest amount for furniture in the period from January to March of 2009:

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|----------------------------------|-------------|
| Air Resources Board | \$ 433,000 |
| Department of General Services | \$ 785,785 |
| Health and Human Services Agency | \$ 306,393 |
| Department of Motor Vehicles | \$1,733,885 |

CONFERENCES AND OUTSIDE MEETINGS

In reviewing expenditures on the State Contracting and Procurement Registration System (SCPRS) when it first became available on line last March, the Accountability and Administrative Review Committee noted spending was still underway for outside conferences and meetings as well as catering and travel.

Governor Schwarzenegger issued Executive Order S-09-09 requiring a fifteen percent overall reduction in spending by each department, regardless of funding source, on new contracts, extended contracts or purchases from statewide master contracts in the 2009-2010 fiscal year, whether the reduction results from cancellation, suspension, renegotiation or otherwise.

No central listing exists for state buildings that includes conference rooms, meeting rooms, or auditoriums each has available for use. There is also no central way to book such facilities. It would be useful to determine if all state meetings could be required to utilize state buildings, then city or county facilities before going to private hotels, resorts or conference facilities.

In reviewing conferences and outside meeting costs for this hearing, these agencies spent the largest amount for the period from January to March of 2009:

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|--------------------------------|------------|
| Department of Consumer Affairs | \$ 245,430 |
| Department of Education | \$ 945,208 |

VEHICLE ACQUISITION

The State's quasi-centralized fleet management practices began in 1950 with legislation directing the Department of Finance to control acquisition of all motor vehicles and general use mobile equipment for the Executive Branch of government. Those policies were later transferred to the Department of General Services (DGS) and have expanded over the years to employ more rigorous fleet management practices.

Some departments have delegated purchasing authority; others must request purchases through DGS. All purchases must be done in concert with the State of California Fleet Handbook – "A Guide to Fleet, Travel, and Parking Policies" which essentially provides direction on all aspects of vehicle maintenance and inspections, use, required reporting, and auction and reutilization with respect to state-owned vehicles. All services provided under DGS approval and review are reimbursed by agencies served in accordance with the Price Book.

The following is excerpted from Chapter 3620 - Acquisition of Vehicles with italics added:

Purchase of State vehicles will be made by consolidation of agency annual requirements *in order to affect savings by volume buying*. (See Government Code Section 14615 and Public Contract Code Section 10308.) In addition, Government Code Section 13332.9 provides that:

"No purchase order or other form of documentation for acquisition or replacement of motor vehicles shall be issued against any appropriation until the Department of General Services has investigated and established the necessity therefore. *No surplus mobile equipment may be acquired from any source by any State agency for program support until the Department of General Services has investigated and established the need therefore.*"

Purchase estimates for all motor vehicle purchase requests shall be sent directly to the Office of Fleet Administration, Department of General Services, *to determine whether available surplus vehicles can be utilized in lieu of a new vehicle purchase* and to investigate and establish the necessity therefore. See State Administrative Manual Sections 4111, 4113.

The Office of Fleet Administration will review the estimate and related documents, approve the estimate on behalf of the Director of General Services, and forward the estimate to the Office of Procurement, Department of General Services.

Effective July 17, 2009, Governor Schwarzenegger issued Executive Order S-14-09 that included the following:

"IT IS ORDERED that all State agencies and departments are *prohibited from ordering or purchasing any new vehicles for non-emergency use*. Exemptions may be approved by the Director of the Department of General Services, subject to review by the Secretary of the State and Consumer Services Agency, only where the purchase is necessary to protect the health and

safety or security of the public, where the purchase is necessary to provide critical services and functions, where a significant portion of the purchase will be made with federal stimulus funding, or where the purchases will result in significant cost savings."

"IT IS FURTHER ORDERED that by July 1, 2010, the Director of the Department of General Services shall make public its progress of meeting the 15 percent reduction by posting on its website the total number of vehicles rescued by each State agency and department, the number of vehicles that have been transferred between agencies and departments, the amount recovered from the sale of eliminated vehicles, and the anticipated cost avoidance of reduced fuel, maintenance, and insurance expenditures."

Each department enters the SCPRS data for its contracts and purchases. Some departments are explicit in the information provided, some provide a cursory explanation to go with an amount of money expended. There is evidently no uniform requirement.

In reviewing vehicle purchases for this hearing, these four agencies spent the largest amount for new light-duty vehicles and passenger vehicles in the period from January to March of 2009:

- Department of Transportation \$10.4 million
- Department of Forestry and Fire \$ 1.6 million
- Department of Motor Vehicles \$.9 million
- Department of Parks and Recreation \$ 5.2 million