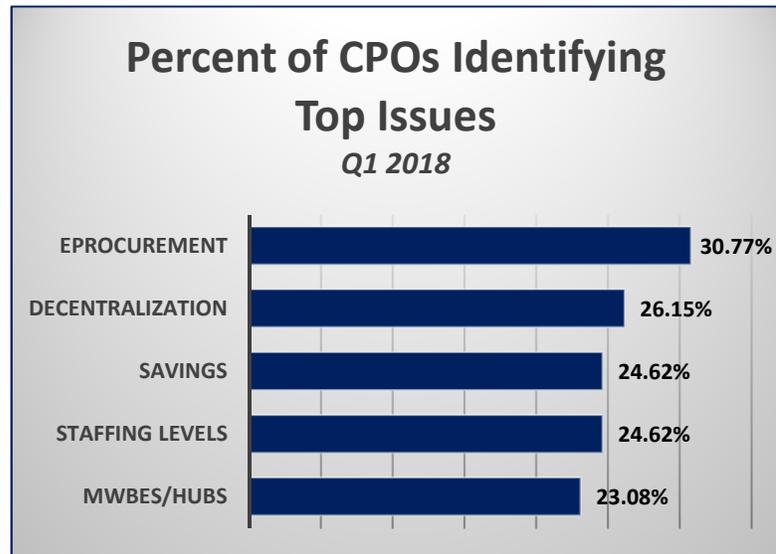




GSS Public Procurement Report

Inaugural Issue, Q1 2018

Every year, the consulting firm **Government Sourcing Solutions** meets with hundreds of senior government procurement officials across the country. In those meetings, GSS' team of former government chief procurement officers hears firsthand about the issues and hot topics that are facing government purchasing. With this inaugural issue, we are sharing what we've learned with you, the members of the public procurement ecosystem.



We have identified the top 5 topics identified by CPOs nationwide: eProcurement, Decentralization, Savings, Staffing Levels, and MWBES/HUBS.

In this report, we'll briefly examine each trend and its impact on public purchasing.

eProcurement

eProcurement has been a hot topic in the procurement community for a decade or more. With the advent of cloud computing and Software-as-a-Service (SaaS) in recent years, we have seen greater interest in maximizing the high strategic value received through implementing an

eProcurement system (specifically built for government) that spans the entire procure to pay lifecycle. As systems have matured, eProcurement has vaulted to the top of the list of issues facing procurement officials.

“(eProcurement) has allowed the Commonwealth to link the entire procurement-to-purchase process and provide greater efficiencies around purchasing.”

--Paul Short, Massachusetts Director of COMMBUYS Operations

Decentralization

With every new generation of elected officials, the pendulum goes back and forth between a centralized and decentralized procurement structure. Like the name implies, in a decentralized organization, purchasing authority is delegated to the using agencies, departments, schools and programs. Of the CPOs who raised decentralization as a major issue, the attitudes varied. Some accepted the pendulum shift as an inevitability of working in public sector procurement and sought ways to mitigate the erosion of their purchasing power from decentralization, like implementing dotted line reporting from agency purchasing staff to central procurement. Others were less resigned to the change and continued to push forward with centralized initiatives into the headwinds. It's likely that when the pendulum shifts back towards centralization, this topic will remain on the minds of procurement officials.

Savings

It is no surprise that procurement savings cracks the top 5 of issues raised. Savings has been a focus of governments since the Great Recession slashed government and educational budgets.

In an attempt to deliver efficiencies without cuts to programs or staff, purchasing was often tasked with finding savings in their contracts. According to the National Association of State Budget Officers (NASBO)'s latest Fiscal Survey of the States, 22 states were forced to make mid-year budget cuts to cover deficits of over \$3.5 billion, and 27 states reported revenue shortfalls in FY 2017.¹ With federal

“When Governor Wolf took office in January 2015, he gave Procurement a savings goal of \$100 million for his first year of office We systematically tracked savings each month and communicated our progress along the way, so everyone in our centralized procurement team was part of the process.”

*-- Jenny Doherty, Chief Procurement Officer,
Commonwealth of Pennsylvania*

funding uncertainties and shaky revenues facing many state and local governments, savings will likely continue to be a focus for government and education purchasers in the coming year.

Staffing Levels

Staffing levels in every agency of government were a major casualty of 2008's Great Recession. When the economy bounced back in the intervening years, governments gradually restored staffing levels in most citizen-facing agencies – but not in procurement. Between staffing reductions, furloughs and attrition, procurement offices have been asked to do more with fewer people than ever before. This results in a paralyzing loss of subject matter expertise as yesterday's knowledge walks out the door. Staff that remain are often given far too many contracts to source, making it nearly impossible to be experts in each. Governments are also facing the looming Silver Tsunami, a wave of retirements as the workforce ages out, resulting in

¹ https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Fiscal%20Survey/NASBO_Fall_2017_Fiscal_Survey_S_.pdf

a tremendous loss of knowledge all at once. It's no wonder that figuring out how they will staff their departments placed among top issues for CPOs.

MWBEs/HUBs

Minority- and Women-Owned Business Enterprises (MWBEs) and Historically Underutilized Businesses (HUBs) have been a focus of governments and schools for years. These businesses have been identified or certified as meeting a set of ownership qualifications and are sometimes given preferences (by law or by policy) in contracts. In addition, some governments set minimum

"We want to make sure that the process is fair and ensure that the vendors that are working on city projects reflect all of our diverse communities We make every effort to address diversity and highlight local Chicago businesses throughout the supply chain."
-- Jamie Rhee, Chief Procurement Officer, City of Chicago

contracting dollar thresholds for MWBE/HUB business awards. Still others set government-wide goals for MWBE or HUB participation and measure the performance of agencies and department in hitting these goals.

Nearly one in five CPOs identified MWBEs/HUBs as an important topic in government purchasing. When

mayors and governors view these programs as a way to ensure that local businesses benefit from expenditures of public funds, the responsibility falls to the procurement community to balance socioeconomic goals with the government or school's financial and operational imperatives. So long as elected officials promote preferences, this issue will remain a top concern for CPOs.

About the GSS Procurement Report

GSS meets with hundreds of state and local governments and educational districts and institutions nationwide every year. Through these meetings, we survey and track trends across a variety of regions and types of public institutions. We will release future issues of the GSS Procurement Report regularly in 2018 and beyond. For more information, please contact Senior Director of Research Nicole Smith at nsmith@govsourcing.com.

Appendix A: Top Nationwide Public Procurement Issues (Q1 2018)

