

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 480

(Senator Van Hollen, *et al.*)

Education, Health, and Environmental Affairs

Ways and Means

**School Buying Consortium - County Boards of Education - Procurement -
Exceptions**

This bill allows local boards of education and private schools to participate in contracts for goods that are awarded by other public agencies or by intergovernmental purchasing organizations as long as the lead agency for the contract follows public bidding procedures. In addition, the bill expands the way bids for contracts may be advertised by allowing local boards to advertise bids in a newspaper of general circulation in the region, in the *Maryland Contract Weekly* or a comparable State publication, or on both an electronic bid board and a school system bid board. The Maryland State Department of Education (MSDE) must establish a process, which may include a website, that provides access to information about contracts for goods held by public agencies or intergovernmental purchasing organizations.

Fiscal Summary

State Effect: MSDE could provide access to information on contracts with existing budgeted resources through the establishment and maintenance of a website.

Local Effect: Potential significant cost savings to local school systems. Local school system advertising expenditures could also decrease. Revenues would not be affected.

Small Business Effect: Potential meaningful. Private schools could realize a significant savings on textbooks and instructional materials.

Analysis

Current Law: If the cost of any school building, improvement, supplies, or equipment is more than \$15,000, a local board of education must advertise for bids in at least one newspaper of general circulation at least two weeks before bids are to be filed. A local board must draft specifications that provide a clear and accurate description of the functional characteristics or the nature of items to be procured. These procurement requirements do not apply to emergency repairs and contracts for the purchase of books and instructional materials. Procurement for private schools is not governed by State law.

Background: Some school districts and local governments in Maryland have established cooperative purchasing groups to attain volume discounts. For example, the Baltimore Regional Cooperative Purchasing Committee includes school systems and local governments from Baltimore City; the City of Annapolis; and Anne Arundel, Baltimore, Carroll, Harford, and Howard counties. The committee has collectively purchased instructional materials for school systems as well as automotive tires, office furniture, and electricity and heating oil. In fiscal 2000, the committee reported total savings of \$1.4 million for its members.

Some other examples of purchasing cooperatives and the savings they report are mentioned below:

- The Maryland Assistive Technology Cooperative reports a 32% savings for its members.
- Howard County Public Schools reports a \$106,000 savings on paper products in a joint bid with Anne Arundel County.
- The Government Purchasing Alliance (GPA) reports savings of over \$100 million for local governments since 1996.
- Fairfax County, Virginia reports a savings of over \$800,000 in fiscal 2000 on office furniture procured through GPA.

Local Expenditures: The use of cooperative procurement by local school systems could result in significant cost savings for advertisement and for supplies and materials. Local school systems must currently advertise all bids over \$15,000 in local newspapers, which costs thousands of dollars annually. For example, Charles County spent approximately \$6,000 for advertising in fiscal 2001. By allowing local school systems to advertise bids

through less expensive means, advertising costs would be reduced. Administrative costs associated with negotiating contracts would also be reduced if schools and school systems could make use of existing contracts that have already been approved.

More significantly, local school systems could realize significant savings through volume discounts on a variety of goods. In fiscal 2000, local school system expenditures for supplies and materials in the instructional and special education categories totaled approximately \$90 million including nearly \$50 million in textbook expenditures. The actual expenditure savings that could be realized are unknown, but by way of example, a 5% reduction in these costs would net a savings of \$4.5 million. A 10% savings level would produce a savings of \$9 million.

In non-instructional categories of expenditures, school systems spent an additional \$65 million on supplies and materials. There could be savings in these areas as well.

It is assumed that any savings realized by local school systems would result in funds being redirected to other school-related expenses. The bill would not impact local appropriations to boards of education.

Small Business Effect: There are approximately 143,350 private school students in kindergarten through twelfth grades. Assuming that private schools spend on average the same amount per student on textbooks and instructional supplies as public schools spend (\$115 in fiscal 2000), private school expenditures total approximately \$16.5 million annually. If private schools could realize a 5% reduction in supplies and materials through the use of cooperative purchasing, expenditures would decrease by \$824,000. A 10% reduction in costs would generate an expenditure savings of \$1.7 million. These estimates do not include potential savings on non-instructional supplies and savings stemming from a reduction in advertising and administrative costs.

Additional Information

Prior Introductions: SB 382/HB 251 of 2001 would have established a Maryland Educational Buying Consortium for the purpose of enabling local boards of education and public and private schools to receive a volume discount on textbooks and educational supplies. SB 382 passed in the Senate, but both bills received unfavorable reports from the House Ways and Means Committee.

Cross File: HB 492 (Delegate Morhaim, *et al.*) – Ways and Means.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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