



Executive Summary

Public College and University Procurement

A Survey of the State Regulatory Environment, Institutional
Procurement Practices and Efforts Toward Cost Containment

**American Association of State Colleges and Universities
National Association of Educational Procurement**

Executive Summary and Recommendations

The demand for greater productivity, efficiency and spending restraint in American public higher education continues to grow.

Recession-induced state cutbacks in funding for public colleges and universities, combined with a surge in student enrollments, have made it imperative for these institutions to further scrutinize current spending and implement new reforms and practices that fully leverage every taxpayer and tuition dollar expended, while continuing to ensure accountability. Indeed, there is plenty of evidence to suggest that institutions have strenuously pared back spending while protecting their core pursuits of teaching, research and service. Some will argue that the soil has been fully tilled, that all obvious and easily applied cost-saving measures have been put into place. However, others believe that more can and must be done and that additional opportunities for cost savings do exist.

This study contends that one area rich for reform and cost-saving opportunities is college and university procurement—the billions of dollars public institutions spend annually to purchase goods and services. While considerable cost savings may be realized in the reform of current procurement practices, these practices are largely shaped by state policies and mandates, as well as policies at the system and institutional levels. This study, based on a survey of procurement officials at public colleges and universities, examines the opportunity at hand to reform state and institutional procurement policies and practices to further contain costs, improve efficiency, and boost productivity in an area affecting

virtually every aspect of campus operations. All stakeholders have a role to play: state policymakers, state procurement officials, campus leaders, campus procurement professionals, and even end users at the departmental level.

As with any survey-based study, caution must be made in generalizing from these findings. Due to the relatively small sample of procurement officials who responded to the survey, these findings may not reflect the overall state of university procurement operations. However, they do shed light on important procurement issues and suggest areas in which improvements may be made.

The survey data confirm that states exercise considerable oversight over the purchase of goods and services by America's public colleges and universities. States utilize a variety of statutes, regulations and other policies aimed at ensuring accountability and leveraging public monies. Respondents from nearly three-fourths of the states represented in the survey indicated that their procurement operations and purchasing decisions are within the purview of state procurement policies. About half of the respondents indicated that purchases over a minimum threshold must be made through or with approval of the state and/or that some types of contracts or purchased items must be handled through the state.

Evidence from the survey suggests that some state procurement policies inhibit colleges' and universities' ability to fully maximize purchasing power, generate

cost savings, enhance product/service quality and improve procurement efficiency and productivity. These include the inability of institutions in some states to participate in cooperative purchasing consortiums or reverse auctions, or to negotiate competitive bids. The mandated use of state contracts and requirements to accept the lowest bids for contracts (thus ruling out consideration of nonmonetary factors such as product/service quality and servicing) were also reported as barriers to more effective procurement spending. Additional constraints are imposed by various state policies that designate preferences in the awarding of institutional contracts—such as the purchase of furniture from state correctional industries—as well as the extensive staff time involved in preparing reports for the states with little evidence the reports add value to the process. There is also a general sense that some state policies limit institutions' ability to appropriately tailor their purchasing needs.

There are indications that some states are changing their statutes, regulations and policies, allowing institutions to more flexibly leverage procurement expenditures and better adapt purchasing decisions to meet institutional needs. These include increasing autonomy for selected institutions, increasing state-mandated minimum dollar thresholds involving competitive bids and the approval of certain types of contracts, and allowing institutions to participate in purchasing cooperatives. Some institutions also reported an increased ability to save money through renegotiated state contracts, especially those involving energy-related commodities.

At the institutional level, a wide variation in policies is apparent, including those involving how procurement decisions are approved, at what minimum dollar

thresholds, and for what types of contracts. It is clear that an array of rules and protocols are in place to incorporate accountability into the campus procurement process and to leverage institutional purchasing power. The survey reveals that U.S. public colleges and universities frequently use technologies that facilitate smart purchase expenditures, such as procurement card (PCARD) programs and software that electronically routes requisitions, purchase orders and other common procurement forms. However, the survey data suggest further room for improvement in the use of additional e-procurement tools that can help institutions better assess, control and leverage their procurement expenditures.

Those institutions authorized by state policy to participate in cooperative purchasing arrangements are making broad use of such compacts. Commodities most often cited as being obtained through purchasing consortia include office supplies, scientific goods, printing services, medical and surgical goods and services, building-maintenance supplies and services, computer/information technology (hardware and software) and related services, library resources and fleet (car and truck) management. Still, more can be done by institutions to maximize opportunities to generate savings via such consortia, especially in the areas of insurance (health, liability, life, property), workers' compensation and spending on energy/utilities.

The procurement professionals taking part in this study identified institutional barriers to more effective cost management, administrative efficiency and accountability. Some respondents cited excessive paperwork and outdated or unjustified rules. Others reported much the opposite, such as insufficiently comprehensive institutional procurement policies and

unclear protocols. Some reported underutilization of procurement software tools and budgeting processes that do not promote a culture of spending restraint.

A key focus of this study is on the impact of state, system and institutional policies on efforts to better control costs in campuses' purchasing operations. Regarding institutional and system policies, a full one half of survey respondents indicated that these policies were somewhat or very helpful. Still, nearly three in 10 respondents indicated that policies currently in place were somewhat or very detrimental to efforts to contain costs. Respondents were more likely to attribute these detrimental effects to state procurement policies than to either system or institutional policies, with just over half indicating that state policies were somewhat or extremely detrimental. However, it is noteworthy that more than four in ten respondents described state policies as being somewhat or very helpful, affirming the very important role that such policies can play in institutions' ability to generate procurement savings.

Several key recommendations for states as well as for systems/institutions emerged from the survey and are summarized below. These proposals can produce meaningful improvements in the utilization of monetary and staff resources in the purchasing of goods and services.

Recommendations for States

- Provide greater autonomy to systems and institutions regarding procurement policy.
- Review, and if warranted, increase the minimum dollar threshold for purchases requiring state approval, as well as adjust minimum thresholds involving formal competitive (sealed) bids.

- Eliminate state mandates requiring institutions to accept the lowest responsive bids in the awarding of contracts.
- Make participation in state purchasing contracts voluntary; institutions may opt into these contracts when it is advantageous to do so, but opt out of them when better options can be identified.
- Allow institutions to participate in group-purchasing consortia.
- Allow institutions to conduct negotiations with suppliers beyond the competitive bidding process.
- Review, and where warranted, relax state preferences or mandates involving the awarding of certain contracts.
- Enable institutions to participate in reverse auctions, wherein vendors compete to obtain business, as opposed to the traditional method of buyers soliciting competitive bids to purchase goods/services.

Recommendations for Systems and Institutions

- Review, and where warranted, amend overly burdensome or outdated institutional policies regarding the approval of procurement decisions over a specified minimum dollar threshold.
- Evaluate the prudence of, and where reasonable adjust, institutional policies that mandate the acceptance of the lowest responsive bids.
- Where state policy allows, seek to fully utilize opportunities to participate in group purchasing consortia.

- If allowed under state law, consider greater participation in reverse auctions.
- To the extent that institutional resources permit, further analyze institutional procurement expenditures through greater utilization of e-procurement tools.
- Review current system/institutional procurement rules with the goal of developing a cohesive and comprehensive policy. This may include simultaneously streamlining and augmenting policy.
- Build a campus culture of procurement accountability. This begins with creating a campus-wide culture that recognizes the importance and value of procurement policy in improving efficiency and cost savings, along with implementing institutional policies to ensure that administrative purchases are made through established contracts, to reduce so-called “maverick spending.”
- Ensure that system and institutional procurement officers receive adequate training and ongoing guidance regarding current state procurement statutes, regulations and policies.