

TESTIMONY OF

**Sherry Neas, Director, Central Service Division**

Chairman Lefor and members of the Committee. My name is Sherry Neas, Office of Management and Budget (OMB), Central Services Division. OMB is opposed to HB 1169 as introduced.

Similar bills were introduced in 2017 (HB 1162) and 2019 (HB 1217), which OMB also opposed.

The broad language in HB 1169 would allow anyone to petition that a government agency or correctional institution is competing with the private sector. This creates the potential for many petitions that could result in substantial workload for the Public Service Commission and interruption of state agency operations.

OMB is the administrative agency for state purchasing practices. State procurement laws facilitate a competitive process for vendors to compete for state contracts.

There are several government agencies and correctional institutions that have statutory authority to perform functions or provide goods and services that also exist in private sector. Procurement law allows government agencies and correctional institutions to obtain needed goods and services directly from other government agencies and correctional institutions, this is known as using government sources of supply.

Government sources of supply may be established for efficiency, security or a specific mission of the agency. For example, OMB has statutory authority to operate a central mailroom, central supply, printing operations and surplus property operation. There are several other government agencies and correctional institutions that perform functions or provide goods and services also provided by private sector individuals and businesses. In some cases, government entities have the option to use the government source or conduct a procurement process to select a private sector provider.

This bill describes an administrative process whereby the Public Service Commission determines whether a government entity is in competition with private sector and determines whether or not the government entity can continue the activity. OMB has concerns regarding how the administrative process described in this bill can override statutory authority for government agencies and correctional institutions to provide the goods or services being petitioned.

Page 2, lines 11-13 provide, "If a state agency or institution is authorized to engage in an activity in competition with private enterprise, the commission shall set a fee for that activity to reflect the fair market value and the actual costs incurred."

Involving the Public Service Commission in establishing fees for government entities that provide goods and services would create a substantial workload increase for the Public Service Commission, and likely reduce the efficiencies of government programs.

Using OMB as an example, the laws that authorize OMB to operate a surplus property operation require OMB to transfer property at fair market value. OMB operates surplus property and has subject matter expertise in that area. Therefore, OMB would be the logical entity to establish rates for that program.

Existing law emphasizes opportunities for private sector entities to compete for government contracts, while also authorizing purchases directly from existing government agencies and correctional institutions. OMB opposes the broad language of HB 1169 which could conflict with existing laws and create a substantial workload increase for state agencies and institutions. This concludes my testimony, and I would welcome any questions you might have.