

SPONSOR STATEMENT

HB 257

“An Act relating to a procurement and electronic commerce tools program for state departments and instrumentalities of the state; and providing for an effective date.”

Although Alaska is currently enjoying a temporary revenue windfall, it is very important that the Legislature remain focused on the need to deliver long-term reductions in the cost of government. Therefore, this bill renames, expands and extends the pilot procurement, eCommerce and supply chain management program authorized by HB 313 in the 2003 Legislative Session. It will now be called the “Supply Chain Modernization Program”.

The program is already delivering savings in the cost of overhead and administration. During the first two years, it is expected to save over \$150,000 in overhead administration costs, even though it has been implemented in only one region of one agency (DOT/PF). It needs to be expanded and extended in order to reach its full potential.

Overhead costs represent a significant portion of the total cost of government. However, the State of Alaska generally performs overhead functions using outmoded tools and methods. Private industry has delivered considerable gains in productivity during the past two decades by contracting out back-office functions to specialist firms and installing modern computer-based systems. It is time that State government embraces these techniques and participates more fully in the U.S. productivity boom.

As funds previously used for overhead administration are saved, they will be available to fund programs such as education, public safety and other programs of direct importance to a broad range of Alaska residents.

The prices the State pays for goods and services can also be reduced by this program. Cataloging goods and services, combining volumes across multiple agencies, streamlining and automating repetitive processes and allowing for greater staff specialization, can gradually obtain better pricing.

By adopting this bill the Legislature will be directing the Administration to implement the Supply Chain Modernization Program in a timely and orderly manner.