



DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

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SB 339

AA Revising Statutes Concerning the Department of Administrative Services

HB 5396

AAC the State Fleet and Mileage, Fuel and Emission Standards

HB 5397

AAC the Maximum Amount for Purchases Using the P-Card

Testimony of Donald DeFronzo
Commissioner of Administrative Services

Government Administration & Elections Committee
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Good morning Senator Slossberg, Representative Morin, Senator McLachlan, Representative Hwang, and distinguished members of the Government Administration and Elections Committee. My name is Donald DeFronzo and I am the Commissioner of the Department of Administrative Services (DAS). I'd like to thank the Committee for raising three proposals on behalf of DAS.

SB 339 - AA Revising Statutes Concerning the Department of Administrative Services

This bill makes a number of small changes to the DAS statutes to eliminate obsolete Boards and Commissions, and to streamline, merge or eliminate reports and other provisions that are outdated, redundant or do not add value.

Last year, the legislature passed and the Governor signed Public Act 11-150 which, among other things, required each state agency to (1) Review its existing federal and state statutory reporting requirements; (2) compile a list of all such required reports; and (3) issue recommendations for consolidating or eliminating duplicative or obsolete reports. DAS undertook this exercise and submitted a report to the legislature in December, as required by

the Public Act. Senate Bill 339 is the legislation that implements the recommendations in that report.

In the interests of time, I will not review each and every section of SB 339, but I am happy to answer any questions that the Committee may have about the provisions in the bill.

HB 5396 - AAC the State Fleet and Mileage, Fuel and Emission Standards

This bill is intended to reconcile the goals of energy efficiency and "green" purchasing with the realities of the current automotive marketplace. Specifically, it is intended to modify unachievable statutory requirements relating to the state fleet by modifying three provisions of section 4a-67d.

First, the bill eliminates the requirement that the DAS fleet have an average estimated highway gas mileage rating of 40 MPG. There are only a limited number of commercially available vehicles with a 40 MPG or higher highway rating. Although the state may be able to purchase some of these vehicles, such as the 2012 Ford Focus, many of the other vehicles are either too expensive or too small to meet the state's vehicle needs. Some agencies need cars with more power or larger size (i.e. for carrying specialized equipment, prisoner transport, client transport, etc.).

Moreover, the state is also subject to the federal Energy Policy Act, or "EPAct," which makes compliance with the existing provision impossible. EPAct requires that 75% of the state's purchases of light duty fleet vehicles be Alternatively Fueled Vehicles ("AFVs"). Notably, hybrid vehicles do not qualify as AFVs under federal law. To DAS's knowledge, the only AFVs that average 40 MPG or more are the Chevy Volt and the Nissan Leaf, which are both expensive for their class and too small to serve all the needs of state agencies.

Additionally, HB 5396 extends the deadline to have 100% of the DAS fleet consist of alternative-fueled, hybrid or electric vehicles from January 1, 2012 to January 1, 2016. DAS was unable to meet the January 2012 deadline because there are simply not enough commercially available alternative fuel vehicles, hybrids, or plug-in electric vehicles that meet all the state's business needs. Currently, approximately 58% of the state fleet meets the requirements of this section. DAS will continue to buy compact AFVs whenever it is practical and meets the business needs of the agencies, however, the requirement that 100% of all the state's car and light duty truck purchases be alternative-fueled, hybrid electric or plug-in electric by January 1, 2012 is unachievable. Indeed this statute has been an audit finding for DAS in the past.

Finally, HB 5396 revises the 4a-67d exemption for state police vehicles to reflect the reality that not all law enforcement vehicles belong to the Department of Emergency Services and Public Protection. For example DMV, DEEP, DOC and UCONN all have law enforcement responsibilities and have a need for specialized vehicles (with cages and gun boxes). Expanding the exemption to include all law enforcement and emergency response vehicles instead of only DESPP law enforcement vehicles would also make this statute more consistent with EAct, which exempts both law enforcement and emergency vehicles, regardless of the agency using the vehicle.

I would like to point out that HB 5396 does not undermine the state's commitment to environmental protection. If HB 5396 passes, DAS will still be required to:

- (1) Comply with the federal requirements under EAct concerning the percentage of alternative-fueled vehicles required in the state motor vehicle fleet;
- (2) Purchase vehicles to obtain the best achievable mileage per pound of carbon dioxide emitted in their class;
- (3) Maintain at least fifty per cent of all cars and light duty trucks purchased or leased by the state as alternative-fueled, hybrid electric or plug-in electric vehicles; and
- (4) Ensure that all alternative-fueled vehicles purchased or leased by the state are certified to the California Air Resources Board's Low Emission Vehicle II Ultra Low Emission Vehicle Standard, and all gasoline-powered light duty and hybrid vehicles purchased or leased by the state are, at a minimum, certified to the California Air Resource Board's Low Emission Vehicle II Ultra Low Emission Vehicle Standard.

HB 5397 - AAC the Maximum Amount for Purchases Using the P-Card

We also ask the Committee to support House Bill 5397, "An Act Concerning the Maximum Amount for Purchases Using the P-Card." This bill would remove the maximum purchase limit of ten thousand dollars from C.G.S. 4-98 (c). This proposal is supported by both DAS and the Office of the State Comptroller, co-administrators of the P-Card program.

The P-Card program is a successful program that has been in place for over ten years. A P-Card is essentially a credit card that provides agencies with an efficient, cost effective method of procuring small dollar items and services, as well as high volume purchases. These P-Card transactions provide for the timely acquisition of goods and services for agencies and, for approved purchases, allow vendors to receive payment from the State in a more timely manner. Utilizing P-Cards also reduces agency staff time and resources used for processing purchase orders.

The P-Card program also provides revenue to the State in the form of rebates provided by the P-Card vendor, based on the P-Card volumes for the calendar year. In May 2011, the State received a rebate of \$205,863 from the P-Card vendor (in accordance with the terms of the contract) based on P-card purchase volumes from Calendar Year 2010. Municipalities that had a certain volume of P-Card purchases received a total of over \$87,000 last year (44 municipalities piggy-back off of the state's P-Card contract, but not all received a rebate last year). Increasing our P-Card volume will increase the State's rebate, money that is returned to the General Fund.

I would like to clarify for the Committee that removing the purchasing cap in statute does not mean that every agency card holder will have the ability to exceed the \$10,000 threshold. Individual agency leaders set the maximum purchasing limit - among other restrictions - on each and every P-Card issued to the agency, based on need and budget. In fact, of the 1,406 P-cards issued, only a handful of cards currently hold the maximum limit. There are also roughly 62 dormant E-Cards (not used unless cards are activated for an emergency). Current single purchase limits are administratively set and if this cap is removed, any single purchase exceeding \$10,000 would need to be approved by DAS/OSC P-card administrators as an allowable exception.

Furthermore, I would like to underscore the fact that use of the P-Card does not enable users to avoid or bypass appropriate procurement laws or procedures, but rather, complements the existing processes available. Indeed, agencies and state employees that use P-Cards still must abide by all state laws and policies regarding purchasing, and also must comply with P-Card rules and guidelines established by DAS and the Office of the State Comptroller. Additionally, increasing the cap statutorily will have no impact on the agency's requirement to encumber funds before making purchases on the card. Proper use controls are in place and automated daily reporting on all P-Card purchases is easily accessible.

DAS reached out to client users to survey examples of items they would be interested in purchasing if the \$10,000 cap was removed. Some examples include the ability for the Department of Correction to purchase in bulk for the shoes they are required by contract to purchase for correctional officers; enabling DAS Fleet Services to bulk purchase body work on vehicles and car parts; and enabling DESPP to purchase helicopter training registration fees.

Our largest P-Card participating municipality, the City of Norwalk, also provided examples of purchases that they have made with their P-Card, enabling that City to maximize its rebate. The City uses its P-Card to pay for Utilities, Waste Collection, Copier Rental and Service, and several IT software purchases and services.

In addition to some of the examples provided, we believe that the removal of this cap will allow the State to explore client agency purchases that would make sense for the state to buy in large volume, i.e. furniture, computers, building equipment, and medical equipment. Furthermore, we believe if this cap is removed we may be able to administratively explore cooperative purchasing arrangements with municipalities for the purchase of bulk items such as road salt, or to better coordinate large state agency purchases in emergency situations, such as electric generators. In addition, as mentioned previously, greater utilization of the P-Card would increase State and Town annual rebates.

When my staff met with you on these proposals, I believe there were some concerns expressed that vendors on state contracts would be forced to accept credit cards for large purchases, and that it would be a financial burden on the vendors because they have to pay their merchant banks a percentage of the sales for the use of credit cards. I'd like to clarify that while DAS does encourage all state vendors to be credit card enabled, the traditional purchase order process can be used for vendors that are not equipped for credit cards. Further, it is our understanding that many companies prefer to accept credit cards from the State, because it helps their cash flow; the vendors receive payments for goods or services rendered in only one or two days, rather than having to wait in some cases for up to several months before state paperwork is processed and approved and payment is made.

Again, I want to thank the Committee for raising these proposals for DAS, and I am happy to answer any questions the Committee may have.