

**Strategic Sourcing – Background**  
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**What is Strategic Sourcing?**

- Put simply, it means the state would start to buy things the way a large-scale business would.

**What does it have to do with the Department of Administration bill?**

- The bill requires that the State Fiscal Accountability Authority (SFAA) begin a strategic sourcing initiative by December 31, 2015.
- The bill also directs the SFAA to produce a report to the Governor and the General Assembly by June 30, 2016, with recommendations for making additional changes to procurement-related statutes and regulations that would reduce costs and improve services.

**How does it work?**

- There are four key steps in a sourcing initiative – consultants often lend their expertise along the way:
  - Assess spending: How much are we paying for each good/service today? How many contracts and vendors do we use? What prices are we currently paying?
  - Evaluate market conditions: How competitive is the market for each good/service? How should we prioritize the opportunities to achieve savings?
  - Aggregate spending: Using the new strategy, execute new contracts in waves that target the goods/services presenting the greatest savings opportunity, with the most “addressable spend”.
  - Maximize use of new tools and technology: Use online reverse auctions, most current Supplier Relationship Management Software (SRM), etc.

**Does this really save money?**

- To give some tangible examples, one state cut its costs for new computers by 44%, its hourly rate for short-term IT staff support by 31%, and slashed its average cost for each new police car by \$1,500.
- States with administrations from both parties have recognized meaningful savings by adopting these practices:

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<b>FL</b>	“MyFloridaMarketPlace” saved \$233 million in 32 agencies through 2011, plus another \$420 million through a massive renegotiation effort in 2008.
<b>GA</b>	The “Procurement Transformation Initiative” saved \$135 million.
<b>MN</b>	The strategic sourcing effort saved \$210 million through 2011.
<b>PA</b>	The sourcing effort saved \$260 million in just its first four years, as confirmed by the administration’s opponents on the Legislative Budget and Finance Committee.
<b>TX</b>	A recent study identified potential savings of \$252-539 million through strategic sourcing and accompanying changes in delegation authority and organizational structure.
<b>VA</b>	The “eVA” online purchasing portal has saved \$280 million since 2001.

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**Where can I learn more?**

- Government Accountability Office: Expanding strategic sourcing would save billions
  - [www.gao.gov/products/GAO-12-919](http://www.gao.gov/products/GAO-12-919)
- National Association of State Procurement Officials: Examples of savings, success stories
  - [www.naspo.org/documents/Strategic\\_Sourcing\\_All.ppt](http://www.naspo.org/documents/Strategic_Sourcing_All.ppt)