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**NEW YORK STATE
OFFICE OF GENERAL SERVICES**

The 2006 Cronin Club Classic Award Submission

“HIRE”

Implementation Date: September, 2005

Originator: Developed as a team effort.

Primary responsibility: Walter Bikowitz

**Prepared by: NYS Office of General Services
Procurement Services Group**

The 2006 Cronin Club Classic Award Submission Hazardous Incident Response Equipment (HIRE)

BACKGROUND:

The Office of General Services' (OGS) Procurement Services Group mission is to contract for goods, services, and technology, and deliver a wide array of state contracts for use by state and local agencies within the State.

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SCOPE:

The availability of vast amounts of Homeland Security grant money presented a risk of significant waste in their expenditure due to rushed, piecemeal, uncoordinated purchasing, conducted locality by locality or agency by agency. Some of these entities came to the OGS Procurement Services Group (PSG) on a purchase by purchase basis seeking assistance in obtaining products. Such requests also came with very short deadline because of Federal grant monies expiring. Perceiving this risk, the Procurement Services Group (PSG), in July 2004, sought out how to best serve New York's first responders and to make a series of State contracts for domestic disaster preparedness equipment available to police, hazmat teams, EMTs and other first responders. PSG knew also that peers in other states faced the same dilemma of limited time to spend federal grant money for homeland security and protracted procurement processes.

PSG suggested to the National Association of State Purchasing Officials (NASPO) that a multi-state cooperative purchase contract be created for Hazardous Incident Response Equipment (HIRE). Now New York is currently leading sixteen other states who agreed to pool demand and leverage their buying power to get the best pricing for the products needed. There are now 43 HIRE contracts that make more than 637 manufacturer product lines available on state contract including tens of thousands of items, with additional items to be added. OGS estimates that spending by the participating states could reach as high as \$500 million over the term of the five year contract.

The series of HIRE contracts allows participating state and local government agencies to quickly buy competitively priced products, saving 9 to 12 months in the procurement cycle.

New York, as lead state, receives a small fee, paid by the vendors, which helps to offset our cost of coordinating this program.

INNOVATION:

The innovation of this project can be summarized as consisting of the following:

- It represents, we believe, the first effort of a central procurement organization working directly with first responders in a state. First responders are not the typical customer of a central procurement function; state and local purchasing agents are the traditional customer base, so this represents a new outreach effort.
- It represents a new vision and new idea that was created early and came to fruition in a timely manner. While the focus was homeland security, one of the first uses of the contracts was in response to a natural disaster, Hurricane Katrina.
- It contains a new approach to presentation of the contracts on the PSG web site that has now set a new standard for placing contract information on the PSG web site. Early feedback from users and other states using the contracts is that it is so effective, that several other state are merely linking to the contracts on the OGS web site, which we believe is also a first.
- The innovation was recognized by the Citizen's Budget Commission (CBC) of New York State, who, in March 2006 awarded OGS the Citizens Budget Commission "Prize for Public Service Innovation." Attached is a PDF document that describes the CBC and describes some past awards given out to New York State or New York City agencies. This is a very prestigious and coveted award. This year's award is the first time that a procurement initiative has ever been recognized. The PSG award is available at: <http://www.cbcny.org/prize.html>.

The procurement officer responsible for setting up contracts for these types of items and the Director of the Procurement Services Group recognized the need for employing an innovative approach to procurement of homeland security related products. What this cooperative approach replaces is the more common, fragmented approach to procurement which would have literally thousands of purchasing agents at the state and local levels in all participating states establishing their own contracts for the same lines of products.

In particular, since September 11, 2001, OGS had found itself responding to numerous individual requests for help in procuring similar pieces of equipment. Since grant monies are time sensitive and lapse after a certain period, time is literally money and recipients were already being criticized for not spending the grant funds fast enough. These issues prompted the innovation.

NASPO Cooperative Purchase Solution

In September 2004, as mentioned above, PSG suggested to the National Association of State Purchasing Officials (NASPO) the creation of a multi-state cooperative purchase contract for

Hazardous Incident Response Equipment (HIRE). By formal resolution, NASPO supported New York State being the lead state. The Cooperative Purchase also involves a new procurement strategy of two tiers of catalog-type contracts: tier 1 for large comprehensive catalogs and tier 2 for smaller niche catalogs. The goal for tier 1 was to obtain better discounts and lower pricing by doing the contract as a cooperative purchase aggregating the volume of many states. The goal for tier 2 was to eliminate dealing through third parties to obtain these products and thereby lower the cost even more.

This strategy allowed participating agencies in all participating states to buy directly from contractors without doing their own formal procurement. When buying in large quantities, the contract users are encouraged to seek best and final pricing to obtain even better discounts than those listed in the contracts.

Homeland Security Procurement Task Force

In order to meet the needs in New York, the Director of PSG organized a statewide task force to help with technical advice and to determine priorities. This group, consisting of several State and local agencies including Office of Homeland Security (OHS), the Weapons of Mass Destruction Taskforce (WMD), the Cyber Security Critical Infrastructure Coordinator (CSCIC), the State Emergency Management Office (SEMO), New York Division of State Police (NYSP), New York City, through the Department of Citywide Administrative Services (DCAS), Empire State Development Corporation (ESD), Office for Technology (OFT), and State Association of Municipal Purchasing Officials (SAMPO) was able to provide OGS with a communication channel directly to thousands of first responders in the state. It also permitted OGS to provide its procurement expertise in a manner that would most effectively provide the greatest number of products at the lowest possible cost rather than the individual “on-off” responses to date.

The presence of this task force was a key factor in demonstrating to other states that New York was on top of the situation and ready to lead the Cooperative Purchasing initiative described above. The task force has been recognized nationally as being a valuable innovation in and of itself. The January 10, 2005 edition of Government Security News recognized New York as a model for other states to follow.

TRANSFERABILITY:

Transferability to other state for this project is simplified since it is a NASPO Cooperative Purchase. Other states need only sign a participating addendum. To date, 16 other states have done so and others are considering. Most recently, OGS has been in contact with the Office of Federal Procurement Policy, (OFPP) who is developing a database of contracts for Federal agencies to utilize in the even of emergencies to determine if the HIRE contract can be added to that database.

COST REDUCTION

The highly competitive pricing of the contracts provides discounts ranging from 5 to 51 percent off list prices, with most items being 25 to 40 percent off. As a further example of the degree of

savings, analysis of one of the new contracts demonstrates that its pricing is 13 percent (overall) lower than any existing state contract with that same major manufacturer. Refer to Spreadsheet analysis.

The availability of a centralized contract means that in New York all authorized users of such contracts can buy products in a far more simplified manner. This saves purchasing agents in state agencies such as Office of Homeland Security, New York State Police and the Weapons of Mass Destruction Task Force, as well as political subdivisions (including thousands of local fire departments, police agencies and other emergency response groups), hundreds of hours of time (which translates into taxpayer dollars). It eliminates duplication of effort on the part of these entities issuing bids for the same products, saves vendors from having to respond to thousands of separate bids, and gets HIRE items to where they are needed much sooner.

Furthermore, buying from these approved lists ensures product consistency and reduces interoperability issues, thereby helping to avoid many of the problems that arose during earlier major emergencies where responders couldn't share equipment or even communicate with each other.

Pooling the volume among all the participating states means that tens of millions of dollars are saved at a national level. Price discounts range from 5 to 51 percent off list. Further, as shown by the detailed analysis below, pricing is more than 13% better than any previously competitively bid contract. If that is applied to spending of \$500 million over the five-year life of the contract for New York, the savings will be about \$67.5 million in aggregate. As one of the largest participants in this initiative, New York State, along with its political subdivisions, is among the biggest winners.

The following charts provide a summary of some actual detailed savings:

| Category | HIRE Contract | WSCA* | AR/NASPO** |
|--|---------------|-------|------------|
| # of items covered that overlap with other state contracts | 7,884 | 1,470 | 6,118 |
| Comparison (# of items where HIRE is lower priced) | | 1,349 | 5,053 |
| % of total that HIRE is lower priced | | 92% | 83% |

*Western States Contracting Alliance

**Arkansas/National Association of State Purchasing Officials

In addition to the above analysis a review of net pricing for a few specific randomly chosen items shows the following

| Item | List Price | AR./NASPO | WSCA | HIRE |
|------|------------|-----------|------|------|
|------|------------|-----------|------|------|

| | | | | |
|------------------------------------|--------------------|--------------------|----------------------------------|--------------------|
| Air trailer | \$9,439 | \$8,023 | Not available | \$6,796 |
| Decon system | \$92,800 | \$90,158 | Not available | \$82,592 |
| 6 Drum Cabinet - JUSTRITE | \$9,559.28 | \$7,169.46 | \$7,647.42 | \$5,926.75 |
| T1 Commander Thermal Imager | \$15,159.85 | \$14,237.97 | \$14,237.97 | \$13,600.00 |
| Thermal Imaging Camera | \$27,336.94 | \$26,540.72 | \$27,336.94 | \$24,603.25 |
| CRDS Decon shelter | \$23,500 | \$23,500 | Not available on Contract | \$20,915 |

Finally, attached is a detailed Excel spreadsheet of a comparison of just one contractor's pricing under HIRE versus other states, comparing 7,883 items. Note that the total cost for these items only (assume quantity of 1) is \$498,493 off HIRE contract compared to \$573,359 for Western States Contracting Alliance (WSCA) contract based on 1,473 like items. Similarly, when 6,063 like items are compared between the HIRE contract and the Arkansas (AR), the total cost under the HIRE contract is \$6,859,800 versus \$7,926,326. These figures show the HIRE contract to be lower priced than any other state contracts by margins of 13.06% and 13.46% respectively.

AGENCY PARTICIPATION:

One indicator of participation is the number of states that have elected to participate and another is the volume of sales going through these contracts. Benchmarking is done to ensure that prices are excellent in comparison to what other government buyers are obtaining. The fact that more states are clamoring to join the cooperative is another indicator of success. When first initiated, there were nine states that wanted to join the group. The number has now grown to 16 states.

The State of Louisiana became one of the first contract users due to the need to respond to the Hurricane Katrina disaster that beset that region. The types of items available in these contracts are not just associated with terrorist attacks. The intense pollution conditions after the hurricane mandated the immediate acquisition of decontamination equipment, special hazmat clothing, water purification products, and many more. These contracts meant that fair and reasonable pricing was available at a time when one usually sees price gouging. One contractor under the HIRE contract recently leased a 35,000 square foot warehouse facility in New Orleans, which underscores the magnitude of the disaster and the resources that the HIRE contracts can bring to a situation. Louisiana alone has spent over \$1 million using this contract vehicle. The contract has averaged a \$1 million in sales per month since its inception, which is remarkable for a brand new contract. New contracts often take 2 to 3 years to "grow" the contract.