



Planning and Budgeting Brief

Date Prepared: November 9, 2009

Subject: UW Management and Business Process Flexibilities

The University is continually seeking ways to become more efficient, an effort that has become even more critical in the current economic climate. Many of the changes listed below would result in management or business process flexibilities that would result in significant budget savings to the University. In most cases, they require changes in state laws and/or policies to implement.

Operating Budget – (up to \$3.4 million saved per year)

1. **Eliminate UW Payment for State Financial Systems**: Since 2007, the University has been paying \$1.0 million a year in fees to OFM for the development and use of financial reporting systems. The UW has developed its own systems for these purposes and therefore is not receiving value in return for these fees. These fees are more appropriate as user fees and the UW would **save \$1.0 million per year** if exempt from paying for these services that we do not use.
2. **Eliminate UW Payment for State Archiving and Records Retention**: The University currently pays \$592,000 per year in mandatory fees to the Secretary of State Division of the State Archives for services that the university does not need or already performs locally. This includes all records retention and archiving, including the development of imaging standards. The university would save **\$592,000 per year** if exempt from paying for these services that we do not need or utilize.
3. **Standardization of Bid Thresholds**: The University would like to have a standard threshold at which an informal bid process takes place and when a formal bid process occurs. Currently, there are three different thresholds depending on the commodity type. Standardization at these limits would allow more flexibility and efficiency in contracting, could facilitate awarding of small contracts directly to small businesses, and could allow the use of on-line reverse auctions. We recommend that the language of RCW 43.19 for purchasing thresholds and RCW 39.29 for personal service contract thresholds be aligned to the language in RCW 43.105 (IT purchasing thresholds). We estimate that this change could **save up to \$427,000 per year** in UW staff time.
4. **Allowing Participation in Group Purchasing Orders**: The University seeks to utilize the most efficient and effective method of procurement. There are a variety of group purchasing organization (GPO) contracts created by consortiums of universities or other non-profit entities that create significant savings for members due to the combined purchasing volume. In addition, the utilization of these organizations' contracts saves the time of UW staff in performing the contracting work. We recommend that RCW 43.19 be expanded to allow institutions of higher education to utilize non-profit GPOs. We estimate that this change could **save up to \$324,000 per year** in UW staff time and price savings.
5. **Allowing Electronic Invoices**: A 2008 federal rule (revised through NSF Research Terms & Conditions) established electronic copies of invoices as sufficient documentation for audit purposes, while the state still requires original copies per 2CFR215.52 in A-110. If the state changes this requirement, the UW estimates **\$309,000 in annual savings**.



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6. **Mandate Direct Deposit and Notification**: If the state mandated direct deposit for all employee and student checks, and also mandated electronic notification to recipients the university would **save up to \$250,000 per year**.
7. **Elimination of Mandatory State Contracts**: State purchasing requirements mandate state contracts for airfare and rental cars. By allowing state agencies to purchase airline tickets and rental cars at the lowest cost regardless of the purchase method would save the UW an estimated **\$200,000 per year**.
8. **Establish Minimum Threshold for ProCard Documentation**: The reconciliation requirement for transactions laid out in SAAM 45.20.50 does not establish a minimum threshold for needing source documentation for ProCard items. Establishing such a threshold would save the UW an estimated **\$110,000 per year**.
9. **Authority to use Online Reverse Auction**: If the state changed either RCW 43.19 or RCW 39.29 and altered the language in the DIS and OFM rules accordingly, the UW would be able to utilize electronic reverse auctions as a method to conduct competitive solicitations at any dollar amount above the current informal competitive threshold for IT purchase, personal services and purchased goods and services. This would save the UW **\$50,000 per year**.
10. **Exempt International Commerce from State Rules**: The UW is a global enterprise that enters into many foreign contracts. Trying to shape foreign contracts to meet Washington State RCW is time consuming and inefficient. If international commerce were exempt from state rules, the UW would experience **\$50,000 in savings per year**.
11. **Eliminate Reporting Requirements for Personal Service Contracts**: Currently, all personal service contracts above \$5,000 must be reported in the OFM Personal Services database, and larger contracts are actually reviewed (filed) with OFM through the database. The elimination of this process would save staff time by not having to enter redundant information already entered in the UW PAS system. In addition, the university would no longer experience delays for contracts requiring prior OFM approval. We estimate that if RCW 39.29.018, relating to the filing of personal service contracts, and RCW 39.29.068, relating to the reporting of personal service contracts were altered such that the University was exempt from these requirements it would save the university an estimated **\$26,000 per year**.

Capital Budget – (\$9 million to \$15 million saved per year)

1. **Shift Building Account to Non-appropriated Status**: The locally generated funds from timber sales, land sales, associated interest, tuition building fee, and metropolitan tract revenues are currently deposited into three accounts, the UW Bond Retirement Account, the UW Facilities Bond Account, and the appropriated UW Building Account. By eliminating the Bond Retirement Account and the Facilities Bond Account and changing the Building Account to non-appropriated status, the flow of these funds will be streamlined and the administrative burden in managing the accounts reduced. Additionally, by adding these funds to the UW's General Revenue (non-appropriated local funds) pool, the University's credit strength will be bolstered. Finally, this authority will be the final piece in a decade long partnership with the State legislature to maximize the University's local funds to reduce borrowing costs and allow for more self funding of capital projects.



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2. **Flexibility in Procurement of Construction Services:** If RCW 39.10 was modified to provide the university more flexibility in the procurement of construction services, we estimate a savings of up to five percent of total projects costs each year, estimated at **\$6-10 million per year**. Note that we are currently working with private stakeholders and CPARB (Capital Projects Advisory Review Board) on legislation which will modify RCW 39.10 and RCW 39.04 in the following ways:
 - Allow major projects (GCCM) to bring on subcontractors early. Benefits include being able to purchase equipment early (schedule savings on lead time) and designing around specific equipment; certainty in budget pricing; and elimination of redundant drawing effort between design consultants and subcontractors (typically for mechanical and electrical subcontract work)
 - Tailor a more streamlined way of procuring infrastructure or building component projects (such as elevator replacements, roof replacement, or work in Power Plant)

3. **Eliminate Redundancy in Land use, Historic Preservation, and Landscaping Review:** In cases where a municipal ordinance pertaining to land use, historic preservation, or landscaping review are redundant of existing university policy, state law could be changed to allow the university policy to prevail and avoid existing duplication of effort. In addition to significant savings in schedule, this could save the UW an annual amount equaling one to three percent of total project costs, estimate at **\$3-5 million per year**.

New Revenue Generation – (\$5.7 million to \$10.9 million per year in new revenue)

1. **Remove Constitutional Prohibition in Investing Public Monies in Private Securities:** The Washington State constitution currently forbids the investments of public money in private securities per Articles XII (sec 9), VIII (sec 5), and VIII (sec 7). The ability to invest public money in private securities would create **new earnings of \$5-10 million per year** for the UW, as well as save an additional \$50,000 per year in legal fees as we currently must hire outside counsel to evaluate the constitutionality of prospective investments. Note that the investment returns noted would not be predictable and so this change should not be associated with any state budget offset.

For more information, please contact Office of Planning & Budgeting staff member Jessica Thompson at jthomp@uw.edu or 202-624-1428

Efficiency ideas for the University of Washington

Line	Category	Concept Description:	When was the requirement put in place?	Who are the stakeholders	Estimated annual savings	Change within UW's Control (Yes/No)	Requires OFM approval (Yes/No)	Requires State law change (Yes/No)
OPERATING BUDGET								
1	Billing for state services	Do not require agencies to pay for financial systems they do not use.	Beginning in 2007, Office of Financial Management's billings for Financial Reporting services have included monthly recharges for OFM's development of a broad menu of services and systems, such as Enterprise Reporting, Risk Management, Labor Relations, Legislative systems, Contracts, and Audit Tracking. Since the University has developed its own systems and procedures in many of these areas, the value added to the University does not appear to balance with the \$1M per year paid to the OFM by the University.	OFM	\$1,000,000	No	Yes	No
2	Billing for state services <i>(separate from above)</i>	Allow agencies to manage locally all records retention and archiving, including development of imaging standards, etc., and eliminate fees for unused services.	See RCW 40.14 Different requirements were put in place at different times. - Retention: parts go back to 1957, but the current practice was established in 1975-76. - Archiving: Inactive storage (not historical records) is already done locally. Actual requirements regarding archival records date from 1957. - Fees: established in 1981. Charges us for the inactive storage which is done locally - Imaging standards: found in WAC 434-663 which was approved in 2000.	Secretary of State Division of the State Archives	\$592,000	No	No	Yes
3	Purchasing and Procurement	Standardize purchasing thresholds for purchase contracts regardless of type of purchase contract. \$10K for informal, \$100K for formal.	Decades - RCW 43.19 for purchasing thresholds and RCW 39.29 for personal service contract thresholds	Purchasing, GA, Customers, other higher eds, OFM, DIS, ISB, suppliers	\$427,000	No	Yes	Yes
4	Purchasing and Procurement	Expand higher education's purchasing authority to allow institutions to utilize not for profit purchasing group contracts.	Part of RCW 43.19 - been in place for at least 20 years	Purchasing, other higher eds, customers, suppliers	\$324,000	No	No	Yes

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5	Purchasing and Procurement	Change the state requirement for original invoice documents for review and reconciliation of field advance and other reimbursements to be consistent with the new federal rule that allows electronic copies of invoices as sufficient documentation for audit purposes.	2CFR215.52 in A-110 required originals. Recently revised through NSF Research Terms & Conditions eff. 7-1-08 to allow invoice copies.	An example is the ITECH program, due to extensive field advance funding and requirements by foreign governments to keep originals in-country.	\$309,000	No	Yes	Yes
6	Process Efficiencies	Mandate direct deposit for all employees and student checks. Mandate electronic notification to recipients rather than paper.	Over 30 years ago. We need adjustments to RCW 28A.58.730 to facilitate the change. Our plan would be to provide options for payments, just not paper checks. See AG opinion on mandating direct deposit at http://www.atg.wa.gov/opinion.aspx?section=topic&id=14820	Employees and department Payroll Coordinators	\$250,000	No	Yes	Yes
7	Purchasing and Procurement	Eliminate mandatory state contracts for airfare and rental cars. Allow agencies to purchase airline tickets and rental cars at the lowest cost regardless of method or purchase.	20+ years ago; based on state purchasing requirements	Employees, departments (budget) and grants/contracts (sponsor savings)	\$200,000	No	Yes	Yes
8	Reporting Requirements	Reconciliation requirement for transactions - have a minimum threshold for needing source documentation for ProCard items.	SAAM 45.20.50 (most recent update: 10/01/07)	Campus departments, internal audit, Procurement Services	\$110,000	No	Yes	No
9	Purchasing and Procurement	Grant the authority to utilize on-line (electronic) reverse auctions as a method to conduct competitive solicitations at any dollar amount above the current informal competitive threshold for IT purchases, personal services, and purchased goods and services.	Change to either RCW 43.19 or RCW 39.29, and will possibly require additional language adjustment to the DIS (IT purchases) rules and OFM (personal services) rules	Purchasing, GA, Customers, other higher eds, OFM, DIS, ISB, suppliers	\$50,000	No	Yes	Yes

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10	Reporting Requirements	Any international commerce should not be subject to state rules (i.e. UW doesn't have to try to fit RCWs into a foreign contract)	This is an emerging issue because historically our contracting has been done domestically. Now with the emergence of ITECH, we have much more contracting done globally. Domestic Terms & Conditions do not necessarily apply.	Purchasing, Global Health & other customers	\$50,000	No	Yes, if a personal services contract	Yes
11	Reporting Requirements	Eliminate or reduce the requirements for reporting on personal service contracts and raise the dollar threshold to be consistent with other contract types.	Since the 1980s. UW would like to be exempt from filing requirements under RCW 39.29.018 and reporting requirements under RCW 39.29.068	Purchasing, campus depts, OFM, GA, Legislature	\$26,000	No	Yes	Yes
CAPITAL BUDGET								
12	Shift Building Account to Non-Appropriated Status	Streamline flow of timber, land sales, metro tract, and building fee funds and greater autonomy in using these locally generated dollars.	Unclear that the building fee was specifically appropriated by statute, but it has been treated as an appropriated account for 40+ years.	Legislative staff, UW Treasury Office and Capital Projects Office	Difficult to measure, but dollars would be saved by reducing the administrative cost of monitoring and recording the various fund flows.	No	Maybe	Yes
13	Construction Procurement	Flexibility in procurement of construction services.	RCW 39, put in place over the past 40 years.	Leg, private, partners in design and construction industry	\$6-10 million (up to 5% of total project costs)	Possibilities under current law	No	Yes- work with CPARB on leg
14	Landuse, Historic Preservation and Landscaping Review.	Eliminate redundancy in landuse, historic preservation, landscaping review by local jurisdictions.	Various municipal ordinances	Municipal and State agencies	\$3-5 million (1-3% of total project costs)	No	No	Yes- State legislation that provides clarity and certainty
REVENUE GENERATION								
15	Investment of Public Funds	Remove constitutional prohibition that restricts investment of public monies in corporate securities.	The WA State constitution dates to 1889. The Articles specific to this issue are: Article XII, Section 9; Article VIII, Section 5; Article VIII, Section 7.	State Treasurer and State Auditor. Other Public U's. Citizens of WA.	\$5-10 million per year in investment return, plus savings of \$50,000 annually in foregone legal expenses.	No	Maybe	Yes