

Alaska State Legislature

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Representative Lesil McGuire

Chair, Judiciary Committee

Sponsor Statement for HB 313

“An Act authorizing a pilot program relating to state procurement and the use of electronic commerce tools; and providing for an effective date”

A Pilot E-commerce Procurement and Supply Chain Management Program

In our current fiscal situation, the Alaska Legislature has a duty to seek out cost savings and efficiencies in government. Especially important are savings in the *overhead costs of government* — i.e., “back office” functions. These functions can and should be streamlined, leaving more funds available for core government services such as education, public safety, and transportation.

The costs of procurement and supply chain management represent a substantial portion of the state’s back office overhead. With only a few exceptions, the state performs these functions using outdated business processes and systems that do not take full advantage of electronic commerce opportunities and other strategies like the use of third party specialists.

Many Alaskans share a desire to become world leaders in modern logistics and supply chain management. Here in Alaska we have companies that are quickly becoming leaders in Internet e-commerce, procurement and related fields. Utilizing this specialized expertise will not only reduce the cost of government, but also strengthen Alaska’s competitive position.

A controlled pilot program is a responsible approach to this opportunity. It will let the Alaska Legislature monitor progress, validate the cost savings and review other benefits (and drawbacks) before making a full commitment. It is a gradual approach that minimizes the risk of failure and provides tremendous potential for reducing the size and cost of government.

It is important that the pilot program be sufficient to justify technological and operational transition costs. The Commissioner of Administration will select a maximum of two departments plus two state enterprises for the pilot.

To be effective, a private sector specialist will need delegated authority to represent the state in performing electronic commerce, procurement and vendor performance management, hence the need for enabling legislation and temporary exemption from [AS 36.30](#) (State Procurement Code). The Commissioner of Administration will be responsible for establishing controls and procurement procedures for the pilot program. This pilot will provide the Alaska Legislature with valuable information with which to evaluate the future modernization of [AS 36.30](#).