

Department of Finance and Administration

Legislative Impact Statement

Bill: SB422

Bill Subtitle: CONCERNING THE DEFINITION OF "EXEMPT COMMODITIES AND SERVICES" IN THE ARKANSAS PROCUREMENT LAW.

Basic Change :

Sen. Pierce,

This bill would add three new classes of commodities and services under the Arkansas Procurement Law, Ark. Code Ann. § 19-11-201 et seq.:

- (1) Commodities and materials purchased by Ark. Correctional Industries (ACI) intended for use in goods for resale;
- (2) Commodities used by the Department of Correction (ADC) in crop production, such as seeds, seedlings, fertilizer and other farm-related chemicals;
- (3) Repair services for hidden or unknown damages for goods already purchased by an agency.

Revenue Impact :

Unknown

Taxpayer Impact :

None

Resources Required :

None

Time Required :

None

Procedural Changes :

None

Other Comments :

The Office of State Procurement is generally supportive of these new exemptions, however, we would like to see subsection (DD) amended, as noted in (2) below. We are of the opinion that the exemptions are needed:

(1) because ACI has an interest in keeping its raw material prices down as much as possible so that it can price its manufactured goods competitively, which would allow ACI to operate more efficiently;

(2) (a) to account for the often time-sensitive nature of agriculture production and often swift changes in planting materials that occur, such as distinct strains of seed to be planted, thus enabling agricultural programs to be able to buy farm-related material at the time they are needed or when market prices are best;

(b) OSP's concern with subsection (DD) is that we think it would be better to strike the limiting reference to the Department of

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Correction in line 26 so as to make the exemption available to other agricultural program agencies, such as the Forestry Commission, the Cooperative Extension Services, etc.; and

- (3) to allow for the contract for repair services on goods or equipment purchased by state agencies that had hidden damages that were unknown and undiscoverable at the time when the items were taken in for service. The current requirement for an agency to seek competitive pricing for such repairs when they exceed \$5,000 is wholly inefficient and unworkable when the items needing repair have been partially or completely disassembled for diagnosis at a repair shop.

Legal Analysis :

None