

EXECUTIVE DEPARTMENT - OFFICE OF GENERAL SERVICES

New York State Procurement Preferred Sources Team

Memorandum

DATE: May 12, 2014

TO: NYS Procurement Council

FROM: NYS Office of General Services, NYS Procurement (OGS NYSPro)

SUBJECT: NYS Industries for the Disabled (NYSID) Application to add Digital Printing Services as a Preferred Source offering

OVERVIEW

NYSID has been seeking to add Digital Printing as a Preferred Source offering since 2011. OGS had concluded that such an offering was precluded by the New York State Printing and Public Documents Law (hereinafter Printing Law) which excluded printing from the State Finance Law definitions of commodities and services. An amendment to the Printing Law in 2012 allows printing to be treated as a commodity or service, which allows this application to be presented to the Procurement Council for a determination on whether to add Digital Services in accordance with the provisions of State Finance Law Section 162(3)(b).

OGS received a Digital Printing Application from NYSID on April 4, 2013 which was revised on July 24, 2013 and supplemented on November 6, 2013 and March 31, 2014. (Copies attached) NYSID seeks to add short-run printing, flexible and on-demand printing processes including variable data printing which would include printing with different names and addresses. NYSID does not seek approval to provide offset printing, custom-printed carbonless forms, typesetting, engraved stationary or engraved business cards, silk screen reproduction, map printing, envelopes, pocket folders or posters over 14 x 26" in size.

NYSID's application describes Digital Printing as the physical process that transfers an image stored in a digital format on a computer to a printable material. The application further states that Digital Printing results in faster, lower cost printing and is generally used for short-run jobs. Printing services are currently offered by several State Agency print shops, including, but not limited to, OGS, OMH, DTF, DOH and the Thruway Authority as well as several private sector vendors. NYSID is proposing to add these services to its Preferred Sources Offering Listing via direct Member Agencies (Non-for-Profit Workshops) as well as through partnership agreements between its Member Agencies and private, for-profit printing firms.

LEGAL AUTHORITY

State Finance Law §162(3)(b) provides that the State Procurement Council may:

...recommend to the Commissioner of OGS to (i) add commodities or services to,... the list....

The decision to recommend the addition of services or commodities shall be based upon a review of relevant factors as determined by the council including costs and benefits to be derived from such addition and shall include an analysis by the office of general services....(Emphasis added)

State Finance Law §162(7) details requirements relative to partnering proposals and states the following:

Partnering with preferred sources.... Preferred source status under a partnering arrangement may only be accorded when a proposal to a soliciting agency for commodities or services includes a binding agreement with one or more of the entities accorded preferred source status under this section. The binding agreement shall provide that:

- (i) The preferred source shall perform the majority of the work necessary to such offering, and
- (ii) The partnering proposal includes bona fide long term employment opportunities for persons who could otherwise be new clients of an entity previously accorded preferred source status herein, and
- (iii) The partnering proposal offers the solicited services or commodities at a price less than the price that otherwise would be charged by a preferred source. (Emphasis added)

NYSID APPLICATION INFORMATION

1. Digital Printing differs from traditional printing (“lithography and offset printing”) as metal plates are not used.
2. NYSID currently has 8 Access-VR approved Member Agencies available to provide Digital Printing Services across the State, and 5 for-profit firms that are seeking to be approved as corporate partners with Member Agencies, to offer these services. They are:
 - A. Northeast Career Planning/The Norton Center is partnering with Camelot Printing (WBE) located in Albany. Camelot employs 25 people exclusively for Digital Printing including 5 full-time employees from Northeast Career Planning.
 - B. Montgomery County ARC, a.k.a. Liberty Enterprises, is partnering with Amsterdam Printing located in Amsterdam. Amsterdam printing employs 50 people for Digital Printing. No current employees from Liberty Enterprises are working at Amsterdam Printing.
 - C. Fulton County ARC a.k.a. Lexington Industries is partnering with Miller Printing located in Amsterdam. Miller employs 14 workers for Digital Printing.
 - D. ARC of Onondaga, will establish a corporate partnership with Avalon Document Services located in Syracuse. Avalon employs 14 people for Digital Printing
 - E. Jefferson County ARC, a.k.a. Jefferson Rehabilitation Center has offered Digital Printing since 2002 and employs 1 full-time person for Digital Printing.
 - F. Oswego Industries, Inc. in Fulton has offered Digital Printing since 2007. It employs 3 part-time employees for Digital Printing.
 - G. F.E.G.S., will partner with New York Digital Lithographers and Printers, Inc. (NYDC) located in New York City. NYDC has offered Digital Printing for the past 15 years, employing 25 people for this service.
 - H. Fed-Cap Rehabilitation Services, Inc. is a NYSID member agency located in New York City which has offered Digital Printing services since 2002. Fed-Cap has 3 full time employees working on Digital Printing.
3. NYSID originally estimated 12 additional disabled will become employed, (when estimate was \$1.2M in contracts) thereby helping to reduce the 43% unemployment level for the disabled.
4. NYSID estimates that for each \$100,000.00 in sales, one (1) full time disabled labor FTE will be generated.
5. NYSID’s updated information estimates it would realize about \$1.7 million per year for Digital Printing.
6. NYSID’s application indicated, *“Digital printers resemble large copiers, and the operation of Digital Printing equipment requires less skill compared to the expertise required to operate an offset press. Therefore, with minimal training, Digital Printing can offer employment to individuals with disabilities.”*
7. The application states that people with disabilities will perform the following work throughout the Digital Printing process:
 - a. Document Preparation – The workers will electronically adjust the image/update the image to be printed to make sure it will fit the applicable margins and otherwise conform to the customers’ needs.
 - b. Digital small format – For smaller paper (e.g., legal or letter size paper), the workers will load the paper into the printer, unload the printed image, and assemble this for any applicable finishing.

- c. Digital large format – The workers will load large paper for architectural and oversized prints into the machines, and unload the completed large items. The size and use of this will differ from the smaller paper and will require the workers to have different loading/unloading actions.
 - d. Finish – The workers will perform, via machinery or by hand, tasks including, but not limited to stapling, folding, tape binding & perfect binding books, drilling, cutting, and inserting to prepare the booklets/materials to be sent to the customers.
 - e. Quality control and shipping – The workers will review the final booklets/printed materials to ensure the accuracy, completeness, quality, etc. of the work and will then physically prepare the orders to be shipped.
8. NYSID provided pricing from contacts awarded in 2009.

OGS NYSPRO REVIEW:

1. After the October 30, 2013 State Procurement Council meeting, OGS requested that NYSID submit a new complete application with all updated analysis, employment information, pricing and responses to concerns expressed by Procurement Council members and the printing industry. Rather than submit a new application, NYSID provided supplemental information in November 2013 and March 2014.
2. OGS requested copies of complete digital printing contracts for the last three (3) years between the referenced preferred source member agencies and government entities so that OGS could:
 - a. Determine market prices
 - b. Evaluate components of a Digital Printing contract
 - c. Understand how a Digital Printing contract is bid
 - d. Understand the work tasks being performed
 - e. Compare competitively bid contract to the information set forth in the NYSID application.
3. NYSID advised that the information was proprietary and since NYSID was not a party to those contracts, it was “extremely difficult for NYSID to demand a response.” NYSID further expressed concern that OGS had not asked for this type of information in the past and why it was being requested now and how it would be used/shared.
4. OGS also requested copies of complete current Digital Printing contracts within the last three (3) years between NYSID’s referenced Corporate Partners and governmental entities. The pricing provided in NYSID’s application is from 2009 and there is no other information provided relative to the scope of contracts such as frequency, delivery schedules, etc. NYSID again declined to provide further information.
5. OGS employees visited various Digital Printing companies (some affiliated and non-affiliated with NYSID, with one additional visit scheduled for 5/20/14), and 2 Document Imaging facilities, learning firsthand about the Digital Printing and Data Imaging processes.
6. OGS has received 4 letters in support of and 11 letters in opposition to NYSID’s Digital Printing application from members of the legislature. OGS also received 6 letters in opposition to the application from printing industry representatives.
7. OGS reviewed, and shared with the Council members, a position paper from the New York State Printing Alliance on this application.
8. OGS has researched printing services offerings, looked at NYSID’s sample pricing and also obtained other comparable contracts and pricing.
9. NYS Empire State Development (ESD) advised approval is not required for Service Applications. However, ESD was notified and received a copy of the application. ESD commented on the initial

review in October 2013, but we did not receive updated comments on the application at the time of this writing. ESD's comments will be shared with the Council when they are received.

10. The Printing Alliance met with NYSID after the last State Procurement Council meeting and advised NYSID that it would like to assist NYSID in getting the word out about the services available through NYSID's member agencies and introduce them to more printers across New York State. The Printing Alliance offered the following to NYSID with the hope of raising awareness of the issues the disabled face, the services they can provide and increasing hiring of the disabled population:
 1. Introductions to members through a series of networking programs held throughout the state.
 2. Complementary advertisements in our newsletter featuring your member agencies and their capabilities.
 3. Articles on success stories of individual workers and the contributions they are making at their companies

CONCLUSIONS:

1. Printing is a custom manufacturing business with a diverse set of variables that:
 - a) Impact pricing which makes it very difficult to obtain standardized price lists against which OGS NYSPRO would be able to benchmark future service applications.
 - b) Impact the type of printing that would best meet the needs of the customer. A government employee won't know if it needs offset, digital or digital variable printing for its job and in many instances, a combination of digital and offset is utilized to produce the best product possible.
 - c) Cannot be broken into distinct types of printing methods such as offset, digital, digital variable, inkjet digital, etc., in a manner easily understood by the authorized user customers so that they would know if digital vs. offset printing would meet their needs prior to making the request.
 - d) Impact the production time and cost as some forms of printing are much quicker and more cost effective than others. It all depends upon the specifics of each job and it takes professional printing expertise to make that determination.
 - e) Are changing at a rapid pace with new offerings such as production inkjet digital printers which are designed for extremely long runs, potentially into the millions of pages, as compared to current short run Digital Printing offerings.
2. NYSID's statement that "with minimal training digital printing can offer employment opportunities to individuals with disabilities to perform document Preparation; Digital small format; Digital large format; Finishing and Quality control and shipping" could not be substantiated. The Industry Job Descriptions for these positions as well as OGS' independent confirmation at the print shops supports a determination that these positions require a significant level of training and experience to perform and that a majority of the digital printing work will not be performed by the disabled workforce. NYSID's suggestion to use disabled labor for jobs such as loading paper, unloading completed jobs, and perform other ancillary tasks is not conducive to the required work flow in a print shop. Printing shops may use disabled labor in some limited and specific instances. The use of disabled labor required to make this a Preferred Source offering does not appear to be sustainable for this type of service. In fact, during the site visit at Camelot, OGS was advised that the disabled workers provide less than 15% of the total workforce and that no work was segregated or held for the disabled workers. This would not meet State Finance Law requirements.
3. There is no evidence that the pricing provided by NYSID through use of the corporate partners would be less than otherwise charged by the preferred source members alone in accordance with State Finance Law §162(7). NYSID did not provide pricing from its eight member agencies that perform

digital printing to demonstrate that their pricing conforms to State Finance Law. NYSPro's pricing analysis is attached.

4. NYSID's Corporate Partners estimated that for each \$100,000.00 in sales, they add 40 hours per week to their payroll and NYSID concluded that one (1) full time disabled labor FTE would be generated for each \$100,000.00 in Digital Printing Sales. NYSID's estimate of one (1) full time disabled labor FTE for each \$100,000.00 in sales cannot be substantiated.
5. The printing equipment is very expensive and if this application is approved, each service application will include amortization and maintenance fees for the equipment and it will be difficult for NYSPro to determine the appropriateness of such fees in each application as the equipment will also be used for non-governmental contracts. This will further delay the approval time of the applications while NYSPro seeks validation of the charges.
6. Digital Printing is completely different from other currently approved NYSID services such as Data Imaging and Reproduction Services relative to pricing information and the customer knowing in advance the type of service it needs. NYSPro spent a great deal of time trying to determine the reasonable of price on NYSID's application and has concluded that it is unable to do so based upon the complex and varied nature of printing applications.
7. If this service were approved, NYSPro would not be able to conduct an apples-to-apples comparison of the pricing contained within each application when submitted, as there is no standardized pricing for this service upon which NYSPro could determine reasonableness of price. The variety of factors to be considered within printing offerings has led to the conclusion that a competitive process for printing services is in the best interests of the state.
8. Award of a Digital Printing application is a misnomer for government printing customers as indicated by printers during our site visits. OGS understands that printing jobs could involve digital, offset or any other type of printing offering and that the most cost efficient way to perform the job most often combines multiple types of printing functions. If this application for Digital Printing was approved, governmental entities may be paying digital printing prices for the entire job, rather than receiving a lower priced blended rate for the printing job.
9. Printing is often requested on an emergency basis and the 10 day time frame for NYSID to accept or decline a new printing inquiry will create hardships for many state agencies.
10. Based on the OGS pricing review, competition is essential to establish reasonableness of price, and to offer the lowest pricing, which is in the best interest of the state. Creating a Digital Printing offering as a preferred source offering will not promote competition nor sufficiently ensure lower pricing for the State.

OGS RECOMMENDATION:

Due to the complex nature of printing contracts, with multiple variables such as type of paper, color, ink, binding, stitching and printing methods, only a competitive bid can truly establish reasonableness of price. Therefore, OGS recommends the State Procurement Council deny NYSID's application to add Digital Printing Services to its List of Preferred Sources Offerings for Services.