Procurement Lobbying Within State Government: An Emerging Trend

Introduction—The Significance of Government Purchasing

Governments in the United States spend between $1.3 and $1.6 trillion annually for goods and services. The federal government on average spends over $230 billion per year. 87,525 sub-national governments in the United States spend an additional $1.1 - $1.35 trillion each year.¹

Given the amount of money involved, it's no surprise that the topic of government spending receives a great deal of attention—from businesses, interest groups, media and citizens. Of course, reduced resources and the uncertainty of future funding makes government spending a sensitive topic. However, the subject of government spending becomes especially intense when perceived waste or fraudulent activity occurs, or if improper influence is believed to be associated with spending decisions. All of these factors have increased the pressure to strengthen the transparency of government spending and the processes surrounding it.

The recent demand for transparency within government and the perception of government purchasing as an “influenceable process” has led several states to extend their lobbying laws and regulations not only to individuals who interact with legislative officials, but also to those “procurement lobbyists” who interact with executive agents responsible for awarding government contracts. To date, eighteen states have formally moved in this direction.²

This brief examines procurement lobbying—the emerging field of lobbying that specifically impacts government purchasing—and considers the differences between the job functions of procurement lobbyists and those of traditional

lobbyists. This brief also discusses the similarities and differences among the laws of those eighteen states that are regulating or monitoring procurement lobbyists. We will conclude with several key issues for procurement professionals to keep in mind concerning procurement lobbying.

**Traditional Lobbying Defined**

Merriam Webster’s dictionary defines lobbying as the attempt to influence or sway (as a public official) toward a desired action.³ James Madison understood that it was in our nature to organize into groups of common interest and even wrote in the Federalist Papers: No. 10, “The protection of these faculties is the first object of government.”⁴ Later on, the right to petition government became part of the freedom of speech guaranteed within the First Amendment of the Constitution.⁵ Simply put, lobbying is advocating a point of view, either by groups or individuals.

Lobbying efforts can be categorized into four types, based on target: legislative, executive, agency and procurement. However, it is important to note that these types of lobbying efforts almost always intersect. *Legislative* lobbying efforts concentrate on the activities of legislatures, trying to impact various types of legislation and budgetary issues. *Executive* lobbying efforts primarily focus attention on chief executive offices, such as that of the governor, mayor, etc. *Agency* lobbying centers around the various departments, divisions and branches of government agencies.⁶ These three “traditional lobbying” activities have included researching and analyzing legislation; monitoring and reporting on recent developments; attending congressional or regulatory meetings; working with groups and/or associations with similar issues; and educating government officials and corporate partners of the implication(s) of specific actions.⁷ However, in recent years, a new variety of lobbyist has emerged. This type of lobbyist is termed a “*procurement lobbyist*” or “vendor lobbyist”. These individuals may also target legislative, executive and agency officials; however their primary focus is on how to do business with government, specifically how to win government contracts. It is important to note that while a lobbyist may specialize in one particular category of lobbying, the process is oftentimes more complex and a combination of tactics are frequently applied.

---

⁷ American League of Lobbyists, accessed 20 July 2005; available from [http://www.alldc.org/resources.htm](http://www.alldc.org/resources.htm)
Evolution of Procurement Lobbying

Government procurement has gone through many changes during the past 20 years. Increasing complexity of regulations, purchases and contracts combined with the national and global reach of businesses and the need to understand laws in multiple states and localities has created a need for companies to rely on lobbyists to build government relations experts to provide information on the procurement practices of the government jurisdictions where they are competing. In addition, there is an increasing element of competition among the business community. Businesses no longer just compete with local competitors anymore; e-government initiatives have introduced global competitors to a whole new marketplace. This creates new purchasing opportunities for government to leverage when selecting suppliers. This also creates a need for suppliers to make procurement officials aware of the options and alternatives they can provide.

Lobbying Expenditures per State

According to the Center for Public Integrity, a non-profit organization that tracks states lobbying activities, in 2004, lobbyists in 42 states reported spending $953 million dollars to influence legislators and executive branch officials. That number exceeded the amount of spending reported in 2003 and is projected to grow even larger in years to come. (While alarm is growing over these figures, it is worth noting that compared to the overall amount of government purchasing, the figure is extremely small, representing less than one tenth of one percent.) The following illustration provides a visual comparison of the states with the highest lobbying expense increases. Appendix II reports the amount of lobbying expense reported by the states as of July 2005.

Source: The Center for Public Integrity, 2004

Procurement Lobbying—What’s the Difference?

The main difference between traditional lobbyists and procurement lobbyists is that procurement lobbyists specifically target executive agencies (the ones doing the buying) as opposed to members of the legislature in their effort to affect procurement decisions (although they may pursue legislators as well). They are almost always contract lobbyists, meaning they are employed by private businesses as opposed to associations or organized interest groups. Just as the definition of procurement lobbyist is different from that of a traditional lobbyist, their duties differ as well. Functions typically performed by a procurement lobbyist may include:

**Assisting businesses formulate contract proposals.** Many procurement lobbyists spend a significant amount of time assisting private businesses to understand the procurement process—one that is often complicated and varied from state to state. Sometimes, the procurement lobbyist is a former government official with extensive and unique knowledge of a state’s procurement laws and regulations—a valuable tool for new businesses that may be just getting started in governmental purchasing or for experienced companies desiring to expand their business to other geographical jurisdictions. Additionally, procurement lobbyists are valued by private companies because they frequently have experience with a specific state’s solicitation format. This can be an advantage in determining what types of criteria agencies use to evaluate proposals. Procurement lobbyists will most likely assist in the development of those proposals according to an agency’s specifications, thus increasing the possibility that the company will be awarded the contract.9

“Talking up products,” usually in informal meetings with agency officials. Procurement lobbyists frequently serve as marketing and advertising consultants to represent a particular product or service offered by their employer.10 Government agencies are considered repeat customers, and often, as is the case with the federal government, publish “broad agency needs” as opposed to formal solicitations.11 Therefore, procurement lobbyists spend a great deal of time trying to persuade government agencies that their product is the only one they should buy when in the market for that particular good or service.12 Additionally, a procurement lobbyist may promote a client’s other qualities that could render them more appealing. For example, many state governments have preference and/or set-aside programs designed to encourage businesses owned by minorities, women or disabled veterans to submit proposals for contracts. A procurement lobbyist may promote the fact that his or her client falls into one of these categories.13

---

10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.
Trying to convince agency personnel that they need a particular good and/or service. There are two levels to this concept: 1) Lobbyists need to convince a government that it truly has a need, and 2) Their client can satisfy that need. Instead of legislation, the lobbyist may pursue appropriations or internal budget reallocations to pay for what they are trying to sell.

Regardless of the strategies chosen, procurement lobbyists often attempt to establish and maintain relationships with executive or agency officials, whether based on prior public sector affiliation or previous contracting work. Obviously, public procurement professionals need to be wary of conflict of interest and other ethical concerns that such relationships can cause.

Regulation of Procurement Lobbying Within the States—A Glance at the Rules

Currently all 50 states require lobbyists to register and report various lobbying activities and expenditures.\textsuperscript{14} However, as of November 2005 only eighteen states have extended their lobbying laws to cover individuals who lobby executive agents.\textsuperscript{15}

The following illustration presents the eighteen states (in dark tint) that require individuals who contact executive agencies to register as lobbyists:

\textsuperscript{14} A link to all states’ legislative and ethics laws on lobbying can be found at http://www.ncsl.org/programs/ethics/e_ethicsURLs.htm
\textsuperscript{16} Ibid.
statutes and executive orders within the states that do extend regulatory authority to procurement lobbyists have many similarities. In terms of the definition of those whom procurement lobbyists can contact, almost all refer to “executive agencies” or “executive agents” as a member of the Executive branch who is the head or assistant head of a department with decision-making authority. In most cases, the Governor and his staff are excluded from this definition. In other words, a procurement director within a state purchasing office (not appointed by the Governor) would be considered an “executive agent”. However, there seems to be some discrepancy among the states within the various definitions of “executive agent” as to whether or not this definition is limited to one individual. For example, within the New Jersey statute, known as the “Legislative and Governmental Process Activities Disclosure Act”, the definition is not limited to the director or agency head. The statute is applied equally to any individual employed within an executive branch office that develops rules, regulations or administers governmental processes such as procurement. 17 In all of the statutes and executive orders, however, the person responsible for executive decisions is always included.

There are exclusions listed within the various statutes and executive orders provided to give exception to daily activities and functions that states have indicated do not require regulatory oversight. Individuals and activities generally excluded from these statutes and executive orders include but are not limited to: members of the news media; attorneys involved in a docketed case pending before a state agency; elected or appointed officials acting in the course or scope of their office for no additional compensation; judicial branch employees, Governors and their staffs; persons affiliated with religious organizations; actions in a person’s official capacity as a public servant; and actions as part of the official duties of a trustee or administrator or faculty member of a college or university within the state.18

There is one exception among the eighteen states that regulate procurement lobbyists. The State of Maryland within their code exempts contracts with a dollar value less than $100,000 from regulation.19

**Issues and Concerns**

Perhaps the most common driver for greater transparency within government procurement are incidents of fraud or corruption during the processes of

---

purchasing goods and services. Gift giving, campaign contributions and perceptions of impropriety are just a few categories of deceptive practices that procurement officials need be wary of. These improprieties often involve lobbyists and are regularly publicized by the media, which further leads to the public perception that the process of government contracting is being performed “behind closed doors”. Examples of recent government contracting scandals include Connecticut’s Governor John Rowland, who resigned during an impeachment inquiry and federal investigation into illegally routing contracts during his tenure, and Mayor Richard Daley of Chicago, who currently has the lowest approval ratings of his career because of numerous contracting scandals during his tenure.

The challenge for procurement officials will be to create and promote an environment of transparency for all steps in the procurement process to limit the opportunity for or even the perception of improper purchasing transactions.

What can procurement officials do to prevent the perception of impropriety and promote a transparent purchasing process? The following are suggested best practices that may assist procurement managers in this task:

° NASPO suggests incorporation of the ABA Model Procurement Code which states “The chief procurement officer shall be a full time public official of the…appointed to serve a term of ten years and may only be removed from office by the (governor/policy office) only upon a showing of just cause.”

° Develop and implement a standard code of ethics.

° Have a zero tolerance policy for acceptance of gifts throughout the organization.

° The Chief Procurement Officer should ideally be independent of executive staff. If executive agents cannot influence the Procurement Officer’s decisions, procurement lobbyists’ effort on these individuals becomes a moot point.

° NASPO has several tools available that contain information regarding procurement policies across the states. The “Vendor Guide” is an annual publication that presents in-depth knowledge of state procurement practices and specific contact information which can give companies a competitive edge in seeking state contracts and placement on bid lists. NASPO’s “Survey of State Government Purchasing Practices” CD and the “State and Local Government Purchasing Principles and Practices” is also available to discuss the latest trends and current procedures in purchasing departments across the country. Additionally, NASPO contributes an article for the Council of

---

State Government’s annual publication, *The Book of the States* which identifies and discusses the latest trends and issues in state procurement.

- Provide sufficient training to procurement staff so they have an in-depth understanding of procurement lobbying laws and regulations. Without a clear understanding of the rules, mistakes could be more likely to happen.

- Provide an open communication channel for suppliers to propose products and ideas and to state objections to ensure that all suppliers have fair and equitable opportunity to showcase products and ideas.

- Promote professional certification of procurement staff.

- Be appropriately accessible to vendors. Vendor education should include training and education on ethical business practices.

- Maintain records of communications between procurement lobbyists and procurement staff. The more evidence available, the less likely an accusation of improper activity may occur.

- Perform comprehensive evaluations of prospective contractors before awarding the contract. Most state laws require contract awards go to responsible vendors, generally meaning that a vendor is reputable, reliable and has the capacity to perform the requirements of the contract. Doing a little research upfront could prevent potential problems down the road.

**Conclusion—Trends toward increased activity and regulation**

As more and more procurement lobbyists begin to appear in state purchasing offices, procurement directors should be prepared to address the issue and be aware of the potential implications procurement lobbyist activities can bring. This brief has examined the different roles that procurement lobbyists can play within the procurement domain as well as the laws and regulations that many states have adopted to regulate and monitor their activity. We also offer several suggested strategies that may assist procurement directors in their effort to further promote a fair and open purchasing environment.

While we can’t predict what will happen in coming legislative sessions, it is a fair assumption that procurement directors can expect more bills on the subject of procurement lobbying to be introduced. Last year alone, there were 163 bills introduced nationally on the subject of lobbying. 22 With added public pressure to create more transparency in government procurement, the likelihood of such legislation reappearing seems highly probable.

---

Acknowledgements

This issue brief was prepared under the guidance of NASPO’s State and Federal Relations Committee. It was written by NASPO Senior Project Coordinator Rebecca Randall.

The committee wishes to thank the states who replied to its listserv on procurement lobbying and who provided resources and information in preparing this document.

NASPO is the National Association of State Procurement Officials and represents the directors of the central purchasing offices in all 50 states, the District of Columbia, and the territories of the United States. For more information on NASPO, please visit www.naspo.org

AMR Management Services, Inc. provides NASPO with full management services. For more information on AMR, please visit www.AMRms.com

Disclaimer

NASPO makes no endorsement, express or implied, of any products, services, or websites contained herein, nor is NASPO responsible for the content or the activities of any linked websites. Any questions should be directed to the administrators of the specific sites to which this publication provides links. All critical information should be independently verified.
Appendix I: Links to States with Procurement Lobbying Regulation


State of Connecticut, Title 1, Chapter 10 - §1-79 through 1-101

State of Arkansas, scroll to Title 21, Public Officers and Employees, Chapter 8
http://www.arkleg.state.ar.us/NXT/gateway.dll?f=templates&fn=default.htm&vid=blr:code

State of Oklahoma, Title 74
http://www.lsby.state.ok.us/OKStatutes/CompleteTitles/os74.rtf

State of Louisiana, Lobbyist Disclosure Act (24:50 - 24:58)

State of Mississippi, Lobbying Law Reform Act of 1994, scroll to Title 5, Legislative Department; Chapter 8

State of Missouri, Lobbyist laws start at 105.470
http://www.moga.state.mo.us/STATUTES/C105.HTM

State of Illinois, Lobbyist Registration Act. 25 ILCS 170

Commonwealth of Kentucky, Chapter 11A. For Executive Agency Lobbying, scroll to 11A.201

State of Ohio, Executive Agency Lobbying: Title 1, State Government; Chapter 121, State Departments; 121.60-121.69
http://onlinedocs.andersonpublishing.com/oh/lpExt.dll?f=templates&fn=main-h.htm&cp=PORC

State of Michigan, Act 472 of 1978
State of Delaware, Title 29, State Government; Chapter 58, Subchapter IV
http://www.delcode.state.de.us/title29/c058/sc04/index.htm#TopOfPage

Commonwealth of Massachusetts, Chapter 3; scroll to sections 39 through 50
http://www.mass.gov/legis/laws/mgl/gl-3-toc.htm

State of New Jersey, Ethics Laws for legislators and lobbyists are at N.J.S.A. 52:13C
http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=114478&amp;depth=2&amp;expandheadings=off&amp;headingswithhits=on&amp;infobase=statutes.nfo&amp;softpage=TOC_Frame_Pg42

State of Texas, Chapter 305 http://www.capitol.state.tx.us/statutes/gv.toc.htm

State of New York, Lobbying Act: Chapter 32, Article 1-A
http://www.nylobby.state.ny.us/lobbying.html

State of Georgia, Executive Order
http://www.westga.edu/~vpaa/ethics.html
## Appendix II: Lobby Spend by State as of July 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Alaska</td>
<td>$14,632,070</td>
<td>$14,173,889</td>
<td>$11,953,178</td>
<td>$10,087,483</td>
<td>$10,016,289</td>
<td>$11,122,528</td>
<td>$10,016,289</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Arizona</td>
<td>$3,082,229</td>
<td>$2,368,568</td>
<td>$2,241,560</td>
<td>$315,663</td>
<td>$496,662</td>
<td>$2,197,329</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>California</td>
<td>$21,095,872</td>
<td>$19,041,807</td>
<td>$19,720,234</td>
<td>$130,596,080</td>
<td>$100,526,120</td>
<td>$103,792,522</td>
<td>$140,242,721</td>
<td>$144,372,792</td>
<td>$134,962,246</td>
<td>$131,977,313</td>
</tr>
<tr>
<td>Colorado</td>
<td>$22,614,650</td>
<td>$20,577,834</td>
<td>$18,347,076</td>
<td>$17,841,455</td>
<td>$17,304,070</td>
<td>$18,848,500</td>
<td>$20,788,497</td>
<td>$22,237,314</td>
<td>$22,199,077</td>
<td>$23,769,176</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$27,629,878</td>
<td>$30,127,231</td>
<td>$28,066,132</td>
<td>$36,404,523</td>
<td>$30,624,675</td>
<td>$26,156,366</td>
<td>$22,235,114</td>
<td>$22,199,077</td>
<td>$17,719,571</td>
<td>$20,999,176</td>
</tr>
<tr>
<td>Delaware</td>
<td>$161,855</td>
<td>$180,217</td>
<td>$137,536</td>
<td>$137,536</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Florida</td>
<td>$3,858,165</td>
<td>$3,737,232</td>
<td>$4,110,321</td>
<td>$4,790,730</td>
<td>$4,108,782</td>
<td>$2,780,540</td>
<td>$4,834,023</td>
<td>$6,354,834</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Georgia</td>
<td>$946,814</td>
<td>$816,160</td>
<td>$774,701</td>
<td>$711,805</td>
<td>$700,333</td>
<td>$590,303</td>
<td>$200,010</td>
<td>$438,400</td>
<td>$541,410</td>
<td>$506,302</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$3,714,862</td>
<td>$3,408,404</td>
<td>$3,530,605</td>
<td>$3,206,305</td>
<td>$3,118,327</td>
<td>$2,610,560</td>
<td>$3,708,327</td>
<td>$3,517,336</td>
<td>$2,605,632</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Idaho</td>
<td>$487,341</td>
<td>$402,138</td>
<td>$307,031</td>
<td>$464,249</td>
<td>$368,657</td>
<td>$403,446</td>
<td>$457,152</td>
<td>$278,371</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Illinois</td>
<td>$1,004,437</td>
<td>$1,190,729</td>
<td>$1,164,534</td>
<td>$1,074,767</td>
<td>$960,526</td>
<td>$1,007,861</td>
<td>$961,609</td>
<td>$1,079,098</td>
<td>$1,310,026</td>
<td>$1,207,249</td>
</tr>
<tr>
<td>Indiana</td>
<td>$12,115,413</td>
<td>$19,322,610</td>
<td>$19,988,670</td>
<td>$20,431,181</td>
<td>$15,453,753</td>
<td>$15,733,090</td>
<td>$12,351,063</td>
<td>$12,857,508</td>
<td>$7,456,827</td>
<td>$7,677,099</td>
</tr>
<tr>
<td>Iowa</td>
<td>$8,297,108</td>
<td>$218,866</td>
<td>$6,475,175</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Kansas</td>
<td>$595,974</td>
<td>$496,579</td>
<td>$473,624</td>
<td>$494,249</td>
<td>$496,061</td>
<td>$670,855</td>
<td>$537,675</td>
<td>$596,866</td>
<td>$575,816</td>
<td>$632,572</td>
</tr>
<tr>
<td>Kentucky</td>
<td>$11,869,843</td>
<td>$9,197,094</td>
<td>$10,327,181</td>
<td>$6,878,721</td>
<td>$6,200,885</td>
<td>$4,433,949</td>
<td>$8,086,344</td>
<td>$3,580,840</td>
<td>$7,305,064</td>
<td>$7,732,926</td>
</tr>
<tr>
<td>Louisiana</td>
<td>$950,376</td>
<td>$430,402</td>
<td>$393,196</td>
<td>$518,176</td>
<td>$400,063</td>
<td>$427,164</td>
<td>$427,164</td>
<td>$427,164</td>
<td>$427,164</td>
<td>$427,164</td>
</tr>
<tr>
<td>Maryland</td>
<td>$38,658,780</td>
<td>$30,500,000</td>
<td>$26,430,220</td>
<td>$22,390,081</td>
<td>$22,504,270</td>
<td>$23,465,363</td>
<td>$22,870,888</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Minnesota</td>
<td>$50,217,111</td>
<td>$47,754,678</td>
<td>$51,306,933</td>
<td>$6,505,468</td>
<td>$6,016,279</td>
<td>$6,649,923</td>
<td>$6,004,863</td>
<td>$5,737,474</td>
<td>$4,119,347</td>
<td>$5,475,766</td>
</tr>
<tr>
<td>Mississippi</td>
<td>$15,506,916</td>
<td>$9,980,384</td>
<td>$9,790,869</td>
<td>$7,899,047</td>
<td>$6,114,584</td>
<td>$6,485,311</td>
<td>$5,880,856</td>
<td>$4,995,827</td>
<td>$4,556,645</td>
<td>$3,833,723</td>
</tr>
<tr>
<td>Missouri</td>
<td>$1,085,545</td>
<td>$1,002,413</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
<tr>
<td>Montana</td>
<td>$6,039,657</td>
<td>$5,100,272</td>
<td>$5,014,492</td>
<td>$5,172,949</td>
<td>$252,093</td>
<td>$4,987,236</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
<td>Don't Track</td>
</tr>
</tbody>
</table>

1 Compensation/salary only reported for lobbyists employed by public bodies. No compensation/salary reported for other lobbyists.
2 2003 spending total does not include salary information, which was unavailable from agency.
3 Agency rounds report totals to the nearest $1,000.

Source: The Center for Public Integrity, 2005