

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number HB 1043

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ **Enrolled**

2. Patron Saxman

3. Committee **Passed both houses**

4. Title Competitive Government Act.

5. Summary/Purpose: Requires the Governor to conduct biennially an examination of the commercial activities that are being performed by state employees to ensure that such activities are being accomplished in a most cost-efficient and effective manner. The examination may be conducted by a commercial source through a solicitation under the Public-Private Education Facilities and Infrastructure Act or the Public Procurement Act. The bill requires that at least three commercial activities be examined biennially.

Where it is shown that outsourcing a commercial activity may result in reduced costs or provide a measurable benefit to the Commonwealth, the bill requires the Governor to cause the activity "to be competed" in accordance with the Public-Private Education Facilities and Infrastructure Act or the Public Procurement Act.

The bill also provides for the Secretary of Administration to submit a report on the initial examination to the Governor and the Chairs of Appropriations and Senate Finance by January 1, 2006 and thereafter every two years.

In addition, the bill provides for the Secretaries of Administration, Finance, and Technology to update the list of commercial activities established by the Commonwealth Competition Council and to provided guidance to state agencies in outsourcing efforts.

6. Fiscal Impact is preliminary. It is not possible to provide a complete quantification of the fiscal impacts of this bill, since it is not known how many activities would be privatized and how much savings or costs would be associated with any outsourcing recommended by the Governor.

Additional workload and some costs would be associated with the effort by the Secretaries of Administration, Finance, and Technology to update the list of commercial activities formerly developed by the Commonwealth Competition Council, to determine which commercial activities are suitable for consideration for outsourcing, and to provide guidance to agencies on outsourcing.

The bill has the potential to save money for the state in the long run, where it is determined that outsourcing activities would cost less. Short-term costs will be associated with privatization of state activities. The outsourcing of state activities will result in loss of state government positions and, in all likelihood, lay-offs of state employees.

Any employees laid off as a result of this bill would be eligible for benefits under the Workforce Transition Act (WTA), the costs of which would be borne by the affected state agency. Such costs would be incurred under the WTA by the outsourcing agency even if the

affected employees subsequently got jobs with the private-sector vendor providing the commercial activity.

For the average state employee (who is 46 years old, makes \$31,877 annually, and has 9.1 years of service), WTA benefits would total about \$20,042. (This figure includes the severance benefit under the WTA, payment for leave balances, and FICA payment, and is based on the assumption that the employee is not eligible for retirement, is a member of the Virginia Sickness and Disability Plan, has average leave balances, and is laid off on July 1, 2004).

This estimate does not include unemployment benefits, which would increase the costs of any layoffs resulting from this bill.

7. Budget amendment necessary: No

8. Fiscal implications: See number six above.

9. Specific agency or political subdivisions affected: Secretaries of Administration, Finance, and Technology

10. Technical amendment necessary: No

11. Other comments: None

Date: 3/25/2004 vrm

Document: g:\2004 legislation\other\hb1043er.doc VRM

cc: Secretary of Administration