

## Department of Planning and Budget 2005 Fiscal Impact Statement

**1. Bill Number** HB2556

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

**2. Patron** Cline

**3. Committee** General Laws

**4. Title** Procurement of services by certain state agencies.

**5. Summary/Purpose:** Requires the Division of Purchases and Supply (DPS) of the Department of General Services (DGS), by regulation, to require all state agencies, except two and four-year public institutions of higher education, to procure services from the private sector if the services are listed as a commercial activity on the commercial activities list developed by the Commonwealth Competition Council in accordance with § 2.2-2622. The bill also provides an exception to the requirement that government cease performing services that can be obtained from a commercial source where the state agency, upon a written determination, finds that the procurement of services from a commercial source is either not practicable or fiscally advantageous. The bill also requires that beginning July 1, 2005, the Commonwealth Competition Council annually update its commercial activities list.

**6. Fiscal Impact Estimates are:** (See Item 8.)

**7. Budget amendment necessary:** Probably, (see Item 8.)

**8. Fiscal implications:** This bill would add an additional step in the procurement process by requiring most state agencies to search for commercial activities from a list developed by the Commonwealth Competition Council. The list is extensive and covers almost any service/function now being accomplished internally by the state. For example, accounting services, legal services, auditing services, and warehousing, trucking and delivery of ABC products are all on the original list. The Competition Council now has plans to update this list by January 1, 2006, but has indicated that it will require additional staffing if it has to expedite the update. The Council will also need additional staff to monitor the updated list on an annual basis. The additional staff for the Council would cost about \$75,000 per year.

Also, given the comprehensive nature of the list, it is estimated that every agency would have several activities that would require analysis to determine whether or not it is practicable or fiscally advantageous to procure services from the private sector. State agencies are neither funded nor staffed to accomplish this task. In order to accomplish this task, it is possible that outside consultants and additional appropriations would be required, resulting in additional costs and time delays in the procurement process. For example, the consulting rate for this type of analysis is likely to be around \$100 per hour. If it takes 120 hours or two-weeks to analyze an activity for an agency, the cost would be \$12,000 per activity. This would amount

to \$1.2 million for each 100 activities analyzed in this fashion. While this is an example, it does suggest that costs could be significant.

**9. Specific agency or political subdivisions affected:** All state agencies, except two and four-year public institutions of higher education.

**10. Technical amendment necessary:** No.

**11. Other comments:** Includes review of engrossed bill.

**Date:** 01/20/05 / rtb

**Document:** (DPB F:RTB/FIS/HB2556E.DOC)

cc: Secretary of Finance  
Secretary of Administration