

Department of Planning and Budget 2008 Fiscal Impact Statement Revised

1. Bill Number: HB1358

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: This substitute requires the Division of Purchases and Supply (DPS) within the Department of General Services (DGS), by regulation, to require all state agencies to procure non-professional 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 substitute does not apply to the hiring of law-enforcement personnel or institutions of higher education. The substitute also provides an exception to the requirement that government cease performing non-professional services that can be obtained from a commercial source when the state agency, upon a written determination, finds that the procurement of non-professional services from a commercial source is either not practiceable or fiscally advantageous. The substitute also requires that the Commonwealth Competition Council annually update its commercial activities list.

6. Fiscal Impact Estimates: Indeterminate. See Item 8.

7. Budget Amendment Necessary: Yes. Item 268, Item 460, HB 30.

8. Fiscal Implications: This substitute will add an additional step to the procurement process by requiring state agencies to search for commercial activities from a list developed by the Commonwealth Competition Council. The list is extensive and covers most services currently being accomplished by state agencies with state resources. Included on the list are fiscal services, warehousing, trucking and delivery of Alcoholic Beverage Commission products, as well as, emergency planning, transportation safety services, and voter services.

If they do not want to privatize a service, agencies would have to perform an analysis for that activity to determine whether it is practiceable and fiscally advantageous to purchase these services from the private sector. The number of agency needs that are included on the list can vary greatly; therefore, the agency costs of the reviews and analyses cannot be determined. If an agency hires a consultant at approximately \$100 per hour and it takes three weeks to analyze and cost out of one activity, the cost to the agency could be \$12,000. There are approximately 650 commercial services listed in the report and many of these occur in multiple agencies; therefore, the cost of implementation is unknown, but may be significant. The legislation does note that upon written determination in advance that a commercial source is either not practiceable or fiscally advantageous, the service can continue to be performed by the agency; however, this is the exception, not the rule.

Also, analysis must address current state employees and the impact of the Workforce Transition Act, including but not limited to severance pay, unemployment compensation, and early retirement.

State agencies impacted by this legislation may realize increased costs to perform the procurement analysis necessary to make out-sourcing decisions. Agencies may require additional funding to perform the necessary procurement analysis. However, the cost is indeterminate.

The legislation directly impacts the Virginia Department of Transportation (VDOT). Given the volume of contracting, VDOT indicates that in order to provide the information required by this bill to DGS, it will need to hire a full time position. The agency estimates this cost to be \$65,000 annually.

Currently, the commercial activities list is updated every two years. The legislation calls for annual updates of the commercial activities list. Annual updates of the list will increase the workload of the Department of Planning and Budget (DPB), the agency that staffs the Council. The increased workload at DPB cannot be absorbed and therefore, will require an additional staff person. The agency estimates this cost to be \$65,000 annually.

The fiscal impact to the state for purchasing services from the private sector cannot be determined.

9. Specific Agency or Political Subdivisions Affected: All state agencies.

10. Technical Amendment Necessary: No

11. Other Comments: None.

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