

**Department of General Services
2012 Fiscal Impact Statement**

1. Bill Number: HB245

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

2. Patron: Cline

3. Committee: General Laws

4. Title: State agency procurement

5. Summary: Requires the Division of Purchases and Supply in the Department of General Services (DGS) to promulgate regulations requiring each state agency to procure nonprofessional services, except law-enforcement services, from the private sector if such services are listed in the Commonwealth Competition Council's commercial activities list. The bill provides that upon a written determination made in advance by a state agency that the procurement of services from a commercial source is neither practicable nor fiscally advantageous; such service may continue to be performed by the state agency. The bill also requires the Commonwealth Competition Council to update its commercial activities list annually rather than every two years.

6. Budget Amendment Necessary: Unknown

7. Fiscal Impact Estimates: Indeterminate (see Item 8)

8. Fiscal Implications: This bill amends the procurement process by requiring state agencies to search for commercial activities provided by the private sector from a list developed by the Commonwealth Competition Council as replacement for services provided by staff in state agencies. The commercial activities list is extensive, and covers many services currently being accomplished by state agencies with state resources.

For an agency to make a determination that such privatization is financially beneficial, it would have to perform an analysis of that activity to determine whether it is practicable and fiscally advantageous to continue to perform the service within the state agency. The number of services that an agency might have to analyze will vary based on the size and scope of its mission; therefore, the exact amount each agency will spend on reviews and analyses cannot be determined.

However, if an agency hires a consultant at approximately \$150 per hour and it takes three weeks (120 hours) to analyze and cost out one activity, the agency will spend \$18,000 for the assessment. Since there are approximately 650 commercial services listed in the report, many of which occur in multiple agencies, the cost of implementation across Commonwealth agencies is unknown but it could be significant.

The analysis to be conducted by state agencies for each activity 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 compensation. In addition, the cost to procure the service and to administer the contract will need to be considered.

Currently, the commercial activities list is updated every two years. This bill will require annual updates of the commercial activities list. Annual updates of the list will increase the workload of the responsible agency, the Department of Planning and Budget. There will be costs associated with posting the results on the Governor's website and publishing the notice in the Virginia Register.

9. Specific Agency or Political Subdivisions Affected: All state agencies and institutions subject to the Virginia Procurement Act.

10. Technical Amendment Necessary: No

11. Other Comments: Similar to HB 245.

Date:

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