

**Department of Planning and Budget
2009 Fiscal Impact Statement**

1. Bill Number: HB 2286

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 bill directs the Division of Purchases and Supply (DPS) within the Department of General Services (DGS) 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 bill does not apply to the hiring of law enforcement personnel. The bill 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 practicable or fiscally advantageous. The bill 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, and Item 460, HB 1600, and potentially all state agencies (see Item 8).

8. Fiscal Implications: This bill amends the procurement process by requiring state agencies to search for commercial activities provided through the private sector from a list developed by the Commonwealth Competition Council as replacement for services provided by staff in state agencies. 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 Control products, as well as emergency planning, horse racing regulation, local maternal and child health services, transportation safety services, and voter services.

If an agency believes such privatization is not financially beneficial, it would have to perform an analysis of that activity to determine whether it is practical and fiscally advantageous to continue to perform the service within the state agency. The number of services that an agency might have to provide can vary greatly; therefore, the agency costs of the reviews and analyses cannot be determined. However, if an agency hires a consultant at approximately \$150 per hour and it takes three weeks 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 is unknown. To illustrate, the legislation directly impacts the Virginia Department of Transportation (VDOT). Given the volume of contracting, VDOT indicates that in order to comply with this bill, it will need to hire a full time position. The agency estimates this cost to be \$65,000 annually.

The legislation does provide that, upon written determination in advance that a commercial source is either not practical or not fiscally advantageous, the service can continue to be performed by the agency; however, this is the exception, not the rule.

Also, there could be Workforce Transition Act costs in the form of severance pay, unemployment compensation, and early retirement if government non-professional service positions are reduced or eliminated.

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 without additional resources. The agency estimates the need to be one additional staff person at a cost of \$65,000 annually.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None

Date: 1/25/09 amk

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cc: Secretary of Administration