

Department of Planning and Budget

2010 Fiscal Impact Statement

1. Bill Number: HB1331

House of Origin X Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron: Cosgrove**3. Committee:** House Rules**4. Title:** Council on Efficient Government; established.

5. Summary: Establishes the Council on Efficient Government and sets out its memberships and duties. The bill provides the Council shall cease to exist on July 1, 2015. The bill also eliminates the Commonwealth Competition Council. Finally, the bill contains technical amendments.

6. Fiscal Impact Estimates:

6a. Expenditure Impact: Indeterminate

6b. Revenue Impact: None

7. Budget Amendment Necessary:

Yes. Item 260, Page 164, remove lines 15 through 39 in HB30.

8. Fiscal Implications:

HB1331 eliminates the Commonwealth Competition Council and creates the Council on Efficient Government. In addition, the legislation requires state agencies to conduct a business case analysis on all procurement. Procurements for \$1 million or more require additional review requirements and an initial business case analysis. Requiring state agencies to conduct business case analysis on all procurement would produce an indeterminate fiscal impact. DGS has provided the following information regarding proposals to outsource for the past two fiscal years¹:

FY 2009

Range	Number of Orders	Total Spent
Less than 1 million	584,454	\$2,034,557,216
1-10 million	522	\$1,282,526,485
Over 10 million	43	\$1,169,114,338
Total	585,019	\$4,486,198,039

¹ This data includes all Purchase Orders (POs) for goods and services for all commodities. This data reflects all POs processed through eVA or fed to eVA database by non-participating entities like VT and UVA. It does not include purchases by Northrup Grumman (NG), but IT purchases out of scope to NG are included. It does not include any purchases or contracts not processed through eVA either because they are exempted or an agency did not process them. It also does not include a large number of over the counter purchases made with the Purchase Card.

FY 2008

Range	Number of Orders	Total Spent
Less than 1 million	583,513	\$1,987,595,075
1-10 million	385	\$ 932,327,125
Over 10 million	35	\$1,139,417,391
Total	583,933	\$4,059,339,591

The Council's responsibilities include but are not limited to:

- A. Review whether or not a good or service provided by a state agency could be privatized at less costs and better value;
- B. Identify and eliminate "unfair" competition by state agencies with private concerns;
- C. Review privatization of a good or service at the request of a state agency or private enterprise;
- D. Review business case analysis for all state proposals to outsource procurement;
- E. Recommend and implement standard processes for state agency and Council review and evaluate state agency business cases to outsource, including templates for use by state agencies in submitting business cases to the Council;
- F. Recommend standards, processes, and guidelines for use by state agencies in developing business cases to outsource; and
- G. Prepare an annual report.

Although the bill does not contain specific staffing requirements, the Department of Planning and Budget (DPB) is responsible for assisting in the development of the commercial activities inventory. The bill requires that DPB assist in the review of the inventory and examine at least three commercial activities beginning July 1, 2011. An indeterminate amount of DPB resources would be needed to create and review the inventory and conduct these examinations.

The bill language states that: *"Each state agency shall submit to the Council all information, documents and other materials requested by the Council pursuant to this article....State agencies shall cooperate with inventory requests made by the Council.* The costs associated with these requests from the Council cannot be determined.

The existing costs of the Commonwealth Competition Council are about \$3,922 annually. Based on this experience, the estimated direct costs of the new Council on Efficient Government would be approximately \$2,400 annually. The costs of the Council are approximately \$1,537 less annually because the new Council has one less member from private enterprise and no legislative members. It is likely that the Department of General Services will have some impact as a result of this legislation.

The total cost to the Commonwealth is indeterminate, however, because the costs associated with responding to requests from the Council cannot be quantified.

9. Specific Agency or Political Subdivisions Affected:

Department of Planning and Budget

Department of General Services

All other state agencies that outsource procurement

10. Technical Amendment Necessary:

11. Other Comments:

Date: 2/9/2010 dpb/clc

Document: <http://dpb.virginia.gov/efis/fistemplate.doc>