

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1443

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Reynolds, W.

3. Committee: General Laws and Technology

4. Title: Preference for Virginia products

5. Summary: Establishes a preference in state contracting for goods produced in Virginia and goods or services or construction provided by Virginia persons, firms, or corporations so long as the bid price of such firm or corporation is not more than 15 percent greater than the bid price of the low responsive and responsible non-Virginia bidder. The bill also provides for the Department of General Services to establish procurement procedures to facilitate the purchase of goods produced in Virginia and goods or services or construction provided by Virginia persons, firms, or corporations by state agencies and institutions.

6. Budget Amendment Necessary: No

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

8. Fiscal Implications: This bill may increase the cost of goods, services and construction **up to fifteen percent** by establishing an in-state preference. Preferences dilute the Commonwealth's ability to leverage its buying power, decrease competition, and increase the cost of goods and services.

This bill may reduce the incentive for VA bidders to submit their best prices knowing they will receive an award if their bid price is within 15 percent of the lowest responsive and responsible non-Virginia bidder.

In-state preferences could foster reciprocity from other states. If reciprocity is imposed on Virginia businesses by other states, it will likely reduce out of state sales and result in a reduction to revenues which will reduce taxes paid to the Commonwealth and harm Virginia vendors doing business in other states.

9. Specific Agency or Political Subdivisions Affected: All executive branch agencies (excluding Level III institutions (VT, UVA, W&M, and VCU) and Level II (RU, VMI, JMU, GMU, and ODU) institutions operating under Management Agreements and Memorandums of Understanding).

10. Technical Amendment Necessary:

11. Other Comments: Other preference programs have shown a five to 40 percent increase in the cost of goods and services. Additionally preferences increase administrative processing time and delay procurement awards.

Date: 1/28/11

Document:

c: Secretary of Administration