

## Department of Planning and Budget 2012 Fiscal Impact Statement

**1. Bill Number:** HB1235

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

**2. Patron:** Massie

**3. Committee:** General Laws

**4. Title:** Virginia Public Procurement Act; contract pricing arrangements.

**5. Summary:** Provides that the award of a public contract may be made on the basis of cost plus a percentage of the private investment made by a private entity in cases of the procurement of commercial or financial consulting services related to a qualifying transportation facility under the Public-Private Transportation Act or a qualifying project under the Public-Private Education Facilities and Infrastructure Act, where the commercial or financial consulting services are sought to solicit or to solicit and evaluate proposals for the qualifying transportation facility or the qualifying project. The bill defines 'private entity,' 'qualifying transportation facility,' and 'qualifying project.'

**6. Budget Amendment Necessary:** No

**7. Fiscal Impact Estimates:** Indeterminate

**8. Fiscal Implications:** The Department of General Services indicates that the new contract pricing arrange of cost plus a percentage of cost offers no incentive to the contractor to control contract costs or to be efficient. Since the contractor's profit is based on his cost, this can result in higher contract costs. In addition to higher contract costs, public bodies may have additional contract administration costs for this type of contract..

**9. Specific Agency or Political Subdivisions Affected:** All public bodies subject to the Public Procurement Act.

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

**Date:** 1/25/12

**Document:**

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