

Department of General Services 2012 Fiscal Impact Statement

1. Bill Number: HB611

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: LeMunyon

3. Committee: General Laws

4. Title: Competitive Government Act: Governor requires commercial activity procured from private sector.

5. Summary: This bill requires the Governor to require any commercial activity performed by an agency or institution of the Commonwealth to be procured from the private sector, except where there is neither a reduction in cost nor other measurable benefit to the Commonwealth. The bill also requires these commercial activities to be posted on the Governor's website and published in the Virginia Register, and to provide an opportunity for public comment.

6. Budget Amendment Necessary: Yes

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

8. Fiscal Implications: This bill amends the procurement process by requiring that any commercial activity that is required by the Commonwealth from time to time or continuously shall be competed in accordance with the Virginia Public Procurement Act or by using the Public-Private Education Facilities and Infrastructure Act unless the head of a state agency or institution determines in writing and in each instance that outsourcing a particular commercial activity will neither result in reduced costs nor otherwise provide a measurable benefit to the Commonwealth.

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 can vary greatly; 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 most recent report, many of which occur in multiple agencies, the cost of implementation across Commonwealth agencies is unknown but could be significant for some agencies.

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 many instances, agencies will need to retain staff to administer the processes required by this bill and to perform contract administration services.

Finally, there will be costs associated with posting the results on the Governor's website, publishing the notice in the Virginia Register, and administering the procurement and contract administrative procedures.

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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