

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 698** HLS 20RS 696

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 27, 2020 8:23 AM	Author: FREEMAN
Dept./Agy.: Statewide	Analyst: Alan M. Boxberger
Subject: Provides procurement preferences for goods and services	

PROCUREMENT

OR SEE FISC NOTE GF EX

Page 1 of 2

Provides procurement preference for goods manufactured and services performed by individuals with disabilities through supported employment providers

Present law establishes a procurement preference for goods manufactured or services performed by individuals with disabilities when provided through a supported employment provider (SEP); provides for definitions; establishes the State Use Council for the Purchase of Goods and Services Provided by Individuals with Disabilities to facilitate preference provisions; and designates the secretary of the La Department of Health (LDH) to determine the membership and promulgate rules to enforce and implement the preference. Proposed law repeals the provision requiring the LDH secretary to determine membership of the council; requires that the council meet at least four times per year; establishes a procedure by which goods manufactured or services rendered by eligible persons through an SEP may be designated as "mandatory use" requiring agencies, boards, commissions, department and other instrumentalities of the state to procure the mandatory use good or service; establishes the procedure for designating a good or service as mandatory use; provides for certain exemptions; and authorizes the Division of Administration to promulgate such rules. Proposed law is effective July 1, 2021.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable impact on state (depicted as SGF only for purposes of this fiscal note, but potentially impacting all means of finance) and Local Funds expenditures. Individual transactions may generate increased costs or savings compared to current expenditures, and changes to existing purchasing guidelines may result in cost savings. The net impact is indeterminable and will be determined by aggregate changes in pricing and purchasing activities across state government and political subdivisions.

Proposed law expands the existing State Use Program by introducing a framework for designating certain goods and services provided by individuals with disabilities through supported employment providers as the mandatory selection for agencies and political subdivisions procuring those specific goods or services. The prescribed approval process for including these goods and services on the "mandatory use" list requires application by the manufacturer or service provider, multi-step evaluations and approvals by the Office of State Procurement and the State Use Council for the Purchase of Goods and Services Provided by Individuals with Disabilities, and seeks to establish that a good or service is equal in quality and offered at a fair market price to be included on the list. If a good or service is adopted onto the "mandatory use" list, all agencies and political subdivisions purchasing that good or service must do so from an authorized provider on the list.

EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

Proposed law may create both beneficial and disruptive effects for state agencies and political subdivisions. When purchasing goods or services provided on the mandatory use list, these entities would be freed from the need to conduct the full procurement process (develop specifications, publish a bid, potentially allow for site visits and question/answer periods, evaluate bids and award to the lowest responsive and responsible bidder). Elimination of these activities will result in indeterminable aggregate expenditure savings. However, development of a "mandatory use" list will also narrow provider options and potentially lower the benefits of competitive bids. This could result in state entities realizing a higher aggregate expenditure for goods and services in some instances. Federal "fair market pricing" requirements for similar programs do not require that the mandatory use good or service have a lower price than the private market, only that it not be out of line with market pricing. This may result in mandatory purchases at prices in excess of those possible in a public bid. Additionally, state entities will realize an indeterminable workload impact in cases where the agency determines it is necessary to purchase a good or service outside of the mandatory use list, requiring additional documentation, reporting and approvals.

The Office of State Procurement (OSP) reports that it will also realize an indeterminable net impact on expenditures under proposed law. OSP reports that it will realize a slightly decreased workload allocation to the bid process and a slightly increased workload allocation to implement the contemplated analytical framework. OSP reports that a typical bid process requires approximately 30 hours of personnel effort between the agency (approximately 5 hours) and OSP (approximately 25 hours) to include all components from specification writing through award approval, notification and filing. OSP estimates there are currently approximately 100 goods and services that might be suited for mandatory use consideration. OSP estimates the prescribed vetting process will average 8 hours for review and up to an additional 3 hours in the State Use Council phase. If applicants submitted all 100 instances of goods and services for review in the first year, OSP estimates it would require 200 fewer personnel hours to consider the submissions for inclusion on the mandatory use list than to consider the same 100 items for individual bid and procurement. OSP's scenario assumes all considerations and transactions take place within a single fiscal year and on a one to one basis. Once the majority of eligible goods and services have been considered for placement on the "mandatory use" list, the workload required to review additional goods and services in future fiscal years should fall dramatically and result in potential significantly reduced OSP workload requirements after the first operational year. The workload impact is indeterminable and will be impacted by other factors, such as the number of public bids required, the number of applications received to be included on the "mandatory use" list, and others.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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