Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. Sub. S.B. 268** DATE: **May 29, 2008**

STATUS: **As Enacted – Effective September 12, 2008** SPONSOR: **Sen. Seitz**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **To make changes to competitive bidding requirements and other procurement practices for specified political subdivisions**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase or decrease in contract costs depending on contract terms	Potential increase or decrease in contract costs depending on contract terms	Potential increase or decrease in contract costs depending on contract terms
Political Subdivisions currently without joint purchasing authority			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential decrease in contract costs due to the elimination of competitive selection requirements	Potential decrease in contract costs due to the elimination of competitive selection requirements	Potential decrease in contract costs due to the elimination of competitive selection requirements
	Potential decrease in costs of goods and services due to joint purchasing	Potential decrease in costs of goods and services due to joint purchasing	Potential decrease in costs of goods and services due to joint purchasing
Townships, Villages, and School Districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential decrease in print advertising costs	Potential decrease in print advertising costs	Potential decrease in print advertising costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- ***Competitive sealed proposal process for counties*.** The bill authorizes county contracting authorities to use a competitive sealed proposal process instead of competitive bidding when it is advantageous to do so. While this option would give county contracting authorities more flexibility in evaluating bids for goods and services, it may or may not increase the cost of the goods or services acquired.

- ***Joint purchasing authority—all political subdivisions*.** The bill extends to all political subdivisions the same joint purchasing authority that counties and townships currently possess. This could allow for political subdivisions to acquire goods and services at lower cost through joint purchasing, and reduce the cost of using the competitive selection process in acquiring certain goods and services.

- ***Changes in bid advertising and surplus property disposal notification requirements*.** The bill modifies bid advertising requirements that currently apply to school districts for certain construction projects, and modifies advertising and notification requirements that apply to other political subdivisions. These changes will most likely reduce such costs.

Detailed Fiscal Analysis

Competitive sealed proposals

Under existing law, a county contracting authority must generally use competitive sealed bidding for any purchase, lease, or construction project that costs more than $25,000 unless the purchase, lease, or construction project falls into one of several exceptions. In addition to these existing exceptions, the bill permits county contracting authorities to use competitive sealed proposals instead of competitive bidding of contracts when it is determined to be advantageous to do so. If counties opt for this form of soliciting bids, they would be required to use a Request For Proposal (RFP) process whereby the merits of a bid would be evaluated according to criteria, including the bidder's experience, previous performance, and other qualitative factors in addition to price. The practical effect of this change would be to allow counties to negotiate more desirable terms of service for insurance coverage, IT consulting, and so forth, as well as specialized goods. How it might affect county procurement costs would depend on the terms of these contracts.

Joint purchasing authority

Currently, counties and townships have general authority to enter into purchasing programs with other political subdivisions or to participate in a joint purchasing program operated by or through a national or state association of political subdivisions to which they belong. Under such arrangements, the acquisition of equipment, material, supplies, or services is exempt from any competitive selection requirements if the contract was awarded under a publicly solicited request for proposal or a competitive selection procedure of another political subdivision within Ohio or another state. Current law also allows counties and townships to participate in contract offerings from the federal government, including the General Services Administration. Acquisitions under this authority are exempt from any competitive selection requirements otherwise required by law. The bill extends this purchasing authority to all political subdivisions currently included within the definition of a political subdivision under the Political Subdivision Sovereign Immunity Law, as well as county hospitals as defined in section 339.01 of the Revised Code.

Joint purchasing authority would allow the newly included political subdivisions to acquire goods and services without undergoing the competitive selection process on their own, which could reduce their administrative costs related to procurement. Presumably, this option would be exercised in instances where the good or service being acquired can be obtained at a

lower cost through joint purchasing than it could by going through the competitive selection process. For example, if two neighboring municipalities each wish to acquire new snow plows, they could enter into a joint purchasing agreement utilizing a contract previously competitively bid by the Department of Administrative Services, or the Department of Transportation, and jointly purchase the trucks at a lower rate than each could have received if the municipalities each individually purchased the trucks.

Bid advertising and surplus property notification

Current law requires a school district to competitively bid projects involving school construction projects, the cost of which exceed $25,000. The school district must also advertise for bids for these projects once each week for a period of at least two consecutive weeks in a newspaper of general circulation in the district before the date specified by the board for receiving bids. Provided that certain conditions are met, after one week of print advertising, the bill allows school districts to advertise for the second week on their web sites. Eliminating the cost of a second week of print advertising could save school districts substantial amounts in their advertising budgets.

Current law also requires townships to publish notice in a newspaper of general circulation for three weeks of the sale or disposal of unneeded or obsolete property, including real property, whether that property is to be sold or donated to a nonprofit organization. Provided that certain conditions are met, after one week of print notification, the bill allows townships to post the notices for the second week on their web sites. In addition, these advertising requirements would also apply to township construction projects that are put out for competitive bidding. Eliminating the cost of a second week of print advertising could save townships substantial amounts in their advertising budgets. The bill also modifies advertising requirements in a similar fashion for fire and ambulance districts that are extending contracts to the lowest and best bidder, townships accepting bids for construction projects not exempted by the bill, and the legislative authority of a village that is accepting bids for contracts. This will reduce advertising costs to these legislative authorities.

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