

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. S.B. 268** DATE: **April 16, 2008**
 STATUS: **As Passed by the Senate** 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 costs of goods and services due to joint purchasing	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 contract costs due to the elimination of competitive selection requirements; Potential decrease in costs of goods and services due to joint purchasing
School Districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential decrease in advertising costs	Potential decrease in advertising costs	Potential decrease in 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. This option would likely be used to purchase employee health insurance, utilities, and equipment. While this option would give county contracting authorities more flexibility in evaluating bids for goods and services, it is unclear whether it would increase or decrease the cost of purchased items.



- **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.
 - **School district construction bid advertising.** Current law requires that school districts advertise requests for construction bids for projects in excess of \$25,000 in newspapers for two weeks. Provided certain conditions are met, the bill modifies this requirement by allowing for the second week of advertisement to be posted on school district web sites. Since many projects exceed \$25,000, this would lead to substantially lower bid-advertising costs for school districts.
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Detailed Fiscal Analysis

Competitive sealed proposals

The bill authorizes county contracting authorities to use competitive sealed proposals instead of competitive bidding of contracts when it is determined to be advantageous to the county. This form of competitive selection would allow county contracting authorities to evaluate the merits of a bid on the basis of a bidder's experience, previous performance, and other such factors, not just bid price alone. This would not apply to the bidding process for county construction contracts. Proposals must be solicited through a Request for Proposals (RFP) process, stating the relative importance of price and other evaluation factors in making contract awards. Granting this authority to counties may result in the ability to negotiate better terms in contracts for certain goods or services, such as utility, health care or insurance contracts, or certain types of equipment. How this option would affect costs would depend on the terms of these contracts.

One area where such a bidding process would be used is county employee health care. For example, Franklin County paid approximately \$56 million in employee health insurance costs in calendar year 2006, and Cuyahoga County paid approximately \$52 million. A smaller county such as Preble County paid approximately \$150,000 in health insurance costs in calendar year 2006. While it is unknown whether or not the bill would allow these counties to negotiate a better rate for these services, the counties could be able to negotiate the terms of the contract, which could lead to more desirable terms of service.

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 in which the political subdivision is participating 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.

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 procurement costs for those entities. 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 plow trucks, 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.

School board advertisement requirements

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.

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