

FISCAL IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly – 2018 Regular Session
Legislative Fiscal Office

Measure: SB 1565 - A

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Requires Attorney General, Director of Oregon Department of Administrative Services and Director of Transportation to cooperate in adopting rules for electronic procurement system.

Government Unit(s) Affected:

Department of Administrative Services, Department of Justice, Oregon Department of Transportation, Statewide

Summary of Expenditure Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

The measure directs the Departments of Administrative Services (DAS), Justice, and Transportation (ODOT) to designate an electronic procurement (e-procurement) system and develop rules that designate a specific system, identifies when it must be used, and addresses procedures for access to and use of the system. The system is to be operational by January 2, 2021. State contracting agencies will be required to use the system. The bill also establishes two pilot project provisions including requiring contract prices to be weighted at least 30% of the total weight in proposal evaluations and establishing a "reverse auction" method. The measure exempts the State Treasurer and the Secretary of State from certain reporting requirements and specifies reporting requirements on the implementation of the new e-procurement system. It should be noted several state agencies are currently participating in a pilot project called Oregon Buys eProcurement Solution that has not yet been completed.

The Department of Administrative Services (DAS) would have primary responsibility for implementation of the e-procurement system and process established in the bill. DAS anticipates that 2017-19 costs will be \$947,104, growing to \$1,146,208 in 2019-21. A significant portion of the anticipated costs are due to the need to hire four positions (2.00 FTE) to support the project. At this time, it is anticipated that one position will be permanent and three will be limited duration. To cover the 2017-19 costs, DAS intends to use funds received from SPOTS card rebates; these funds are somewhat flexible and are available to be used for this purpose, although they could be used for other purposes including offsetting future rate increases to state agencies. The actual system costs would be covered by the OregonBuys vendor; the vendor recoups their costs through a transaction fee assessed on all purchases made from DAS Statewide Price Agreements. DAS reports that the transaction fee is shared between the vendor and DAS on a stairstep model that returns more of the revenue to DAS as the vendor's initial investment is recouped. Future DAS costs for the program would be paid from this transaction fee revenue.

Most agencies have reported that they expect to have minimal or no fiscal impact due to the measure. However, several agencies have indicated that they anticipate incurring costs due to a number of potential issues including technology changes that will be needed to use the system, implementation and service costs that may affect the amount agencies are charged by DAS, and potential costs if selected to participate in the two pilot projects required by the bill. Such costs are indeterminate at this time. Both ODOT and the Department of Environmental Quality (DEQ) anticipate needing a position to support their responsibilities in connection to the new e-procurement system and process. In ODOT's case, they anticipate needing a full-time position starting in January 2019 and in DEQ's case, it would be a half-time position starting in the 2019-21 biennium.