

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 722

(Senator Pipkin)

Education, Health, and Environmental Affairs

Health and Government Operations

Procurement Law and Process - Auction Bids

This bill repeals the \$1 million floor on reverse auction bids and adds authorization to procure services and equipment by auction bidding. Construction contracts and information technology service contracts are specifically excluded from the authorized uses of reverse auction bids.

The bill is effective October 1, 2004 and terminates September 30, 2007.

Fiscal Summary

State Effect: The provisions of the bill could be handled with existing resources. Potential significant reduction in FY 2005 for expenditures of equipment and supplies.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The Department of Legislative Services is required to submit a report to the Senate Education, Health, and Environmental Affairs and the House Health and Government Operations committees on or before January 1, 2007 that evaluates the impact of reverse auctions on State expenditures and administrative efficiency.

Current Law: Reverse bidding is only authorized for the procurement of supplies and only when the expected value of the contract is greater than \$1 million. Reverse auctions allow the State to request supplies and then have businesses bid on the price at which

they would supply those supplies. The auction lasts for a specified time and the lowest bidder receives the contract with the State. The head of a primary procurement unit may authorize reverse auction bid procurement if the head determines it is in the best interests of the State. Statute specifies the development of contracts, procedures for bidding, and required notifications for reverse auction bids.

Background: The Task Force to Study Efficiency in Procurement (created by Chapter 386 of 2003) recommended that: (1) the \$1 million floor be removed from the authorization of reverse auction bidding and that services and equipment be added to the specified uses of auction bids; (2) the State Ethics Law be revised, noting in its report that the effect of the provision has been to discourage State employees from discussing the State's needs with contractors except during the procurement process; and (3) that a joint committee of the General Assembly should propose substantive changes to update, clarify, and reorganize State procurement law.

State Fiscal Effect: The Department of Budget and Management estimates that State expenditures for equipment and services could decrease substantially due to the repeal of the \$1 million floor for reverse auctions.

Small Business Effect: To the extent that small businesses are able to participate in more reverse auctions, small business participation in State contracts could increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Board of Public Works, University System of Maryland, Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2004
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