

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 438 (Delegate Ready, *et al.*)
Health and Government Operations

Procurement - Lower-Cost Goods and Services

This bill requires a primary procurement unit to allow an entity whose procurement is managed by the unit to withdraw from participating in an intergovernmental cooperative purchasing agreement if the entity can demonstrate that it can obtain a particular supply or service from a local vendor more efficiently and at substantial savings when compared to the price paid under the agreement.

Fiscal Summary

State Effect: State agencies or subunits within State agencies may realize savings to the extent that they can purchase supplies or services from local vendors at a discount compared to prices available through a mandatory cooperative purchasing agreement. The Department of General Services (DGS) may have to restructure some existing purchasing agreements to allow for purchases outside of the agreement; such changes can be handled with existing resources but may reduce the efficiencies available through the agreements. The net impact of the changes is expected to be negligible. No effect on revenues.

Local Effect: None. Although local governments may participate in intergovernmental purchasing agreements, the bill applies only to State procurement units.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 680 of 1997 (HB 588) first authorized State agencies to participate in cooperative purchasing agreements. The State's primary procurement units

may sponsor or participate in cooperative purchasing agreements if the unit head finds in writing that the agreement provides cost or administrative benefits to the State or promotes intergovernmental cooperation and that it is not intended to evade State procurement law. Primary procurement units are the:

- Treasurer's Office;
- Department of Budget and Management;
- Department of General Services;
- Maryland Department of Transportation (and Maryland Transportation Authority);
- Department of Information Technology;
- Maryland Port Commission;
- Department of Public Safety and Correctional Services;
- University System of Maryland;
- Morgan State University; and
- St. Mary's College of Maryland.

Background: Intergovernmental cooperative purchasing agreements are entered into by one or more governmental entities and one vendor selected in a manner consistent with State procurement law. The purpose of the agreements is for governmental entities to pool their purchasing needs to obtain better pricing and to reduce administrative costs associated with individual procurements. Local units that elect to participate in a cooperative purchasing agreement in which the State is a party are not subject to State control or management of their procurement. Procurement units that enter into cooperative purchasing agreements often make the agreement the exclusive vehicle for agencies or entities under their control precisely because they seek to maximize purchasing through the agreement in order to obtain the best pricing and minimize administrative burdens. This is the case with most agreements entered into by DGS, which controls the purchase of supplies and materials for most State agencies.

Additional Information

Prior Introductions: SB 518 of 2012 received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Cross File: SB 343 (Senator Shank, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): Kent, Montgomery, Washington, and Worcester counties; Department of Budget and Management, Maryland Department of Transportation,

Department of Information Technology, Department of General Services, Department of
Legislative Services

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