

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1065 (Senator Pipkin)
 Education, Health, and Environmental Affairs

Procurement - Board of Contract Approval - Establishment

This bill prevents the Board of Public Works (BPW) from requiring that contracts valued at less than \$500,000 be brought to the board for consideration and approval. Instead, it creates a new Board of Contract Approval (BCA) as an independent agency, which may require that proposed contracts valued at less than \$500,000 be brought to it for consideration and approval prior to their execution. BCA must adopt regulations to carry out the bill’s provisions.

Fiscal Summary

State Effect: General fund expenditures by the new BCA increase by \$55,600 in FY 2013 for additional staff. Out-year expenditures reflect a full-year salary, employee turnover, and inflation. Any increase in workload for State procurement units is expected to be minimal and absorbable within existing budgeted resources. No effect on revenues.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	55,600	69,000	73,700	77,200	80,800
Net Effect	(\$55,600)	(\$69,000)	(\$73,700)	(\$77,200)	(\$80,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: BCA consists of three members appointed by the Governor, the Comptroller, and the Treasurer, respectively; members are entitled to compensation as provided in the State budget. It must meet weekly and employ a staff as provided in the State budget. For the purpose of State budgeting, BCA is an independent agency and its expenses must be independent of and separately identified from any other State agency.

Current Law/Background: BPW consists of the Governor, the Comptroller, and the Treasurer and, by law, controls procurement by State agencies. The board meets biweekly and is authorized to appoint a Secretary, who serves at the pleasure of the board. For the purpose of State budgeting, BPW is an independent agency, and all expenses must be independent of and separately identified from any other State agency. The proposed fiscal 2013 State budget includes 7.0 full-time equivalent positions for BPW administration, with a total general fund allocation of \$835,955.

The board may require that any proposed contract, contract renewal, or change order by any unit of the Executive Branch be brought to the board for consideration and approval prior to its execution. However, contracts for State roads, bridges, or highways are exempt from BPW oversight. Contracts by the University System of Maryland, Morgan State University, and St. Mary's College of Maryland are also generally exempt from BPW oversight, except for contracts for services and capital construction projects valued at more than \$500,000.

In general, under regulations adopted by BPW, only contracts for services, capital construction, maintenance, and architectural and engineering services valued at more than \$200,000 must be brought to the board for consideration and approval. Capital equipment contracts valued at more than \$50,000, and all contracts for commodities and supplies are also subject to BPW oversight. In fiscal 2011, State procurement units submitted 542 contracts and 340 contract modifications to BPW for approval. Of those, BPW approved 538 contracts (99.3%) and 340 contract modifications (100.0%).

State Fiscal Effect: The bill does not increase the total number of contracts subject to review and approval, but it divides existing contracts subject to BPW approval between BPW and the new BCA. Contracts valued at up to \$500,000 become subject to BCA consideration and approval, and contracts valued at more than \$500,000 remain subject to BPW consideration and approval.

For the purpose of this analysis, it is assumed that the three BCA appointees are existing State employees with expertise in State procurement, and that their compensation does not change as a result of their appointment. Therefore, the bill's fiscal effect stems entirely from any additional administrative costs associated with managing BCA. The

only difference between BPW and BCA is that BCA must meet weekly while BPW meets biweekly. It is further assumed that current BPW staff is reallocated to BCA as needed, and that they generally share staff as needed, with their respective costs accounted for separately in the State budget. For instance, BPW has a full-time general counsel; it is assumed that his time would be reallocated proportionately between BPW and BCA, with appropriate accounting in the State budget.

However, given the more frequent meetings for BCA, and the additional meeting agendas and minutes that must be prepared, the new board requires one additional administrator to assist in developing additional meeting agendas and processing meeting minutes and decisions. Therefore, general fund expenditures increase by \$55,582 in fiscal 2013, which accounts for the bill's October 1, 2012 effective date. This estimate reflects the cost of hiring one administrator to perform the functions described above for BCA. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$50,684
Operating Expenses	<u>4,898</u>
Total FY 2013 State Expenditures	\$55,582

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 26, 2012
mc/rhh

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