

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 3112**  
**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

DATED: JUNE 26, 2018

**SUMMARY**

- Synopsis:** Authorizes local units of government subject to “Local Public Contracts Law” and “Public School Contracts Law” to use electronic procurement technologies.
- Type of Impact:** Indeterminate potential decrease in local costs.
- Agencies Affected:** Division of Local Government Services (Department of Community Affairs), State Comptroller, Office of the Attorney General, Division of Purchase and Property (Department of Treasury), and the Office of Information Technology.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>
<b>Local Cost</b>	Indeterminate Potential Decrease		

- The Office of Legislative Services (OLS) estimates that the enactment of the bill could result in an indeterminate potential decrease in local costs. The bill would allow local government units, including counties, municipalities, and school districts, to use electronic procurement systems.
- Although local units may incur increased up-front expenditures associated with developing and implementing the electronic purchasing systems, these potential costs could be offset by savings not achievable through the current public contracting process.
- The OLS cannot predict the number of local units that would develop an electronic purchasing system as a result of the bill because the provisions of the bill are permissive in nature. As a result, the OLS cannot quantify the fiscal impact of the bill.
- The bill also would repeal P.L.2001, c.30, the “Local Unit Electronic Technology Pilot Program and Study Act,” which currently allows local units to purchase and sell certain items using on-line procurement systems.

## **BILL DESCRIPTION**

The bill authorizes local government units subject to the “Local Public Contracts Law,” P.L.1971, c.198 (C.40A:11-1 et seq.) and “Public School Contracts Law,” (N.J.S.18A:18A-1 et seq.) to use electronic procurement technologies. The bill authorizes local units to use electronic procurement practices for such purposes as may be authorized by the governing body of the local unit, subject to the provisions of the bill. The bill requires a local unit that utilizes an electronic procurement system to continue to publish advertising bids and requests for proposal in its official newspaper.

Under the bill, local units, joint purchasing units, and cooperative pricing systems are also authorized to use electronic procurement practices for the following purposes: (1) the purchase of electric generation service, electric related service, gas supply service, or gas related service, either separately or bundled, for its own facilities, so long as the purchase otherwise complies with the provisions of the “Electric Discount and Energy Competition Act,” P.L.1999, c.23 (C.48:3-49 et al.); (2) the sale of surplus personal property in compliance with the provisions of section 36 of P.L.1971, c.198 (C.40A:11-36); and (3) the sale or lease of real and personal property pursuant to the provisions of the “Local Lands and Buildings Law,” P.L.1971 c.1999 (C.40A:12-1 et seq.), and State laws governing the sale of public school property.

Contracts awarded for the administration of electronic procurement practices pursuant to the bill are subject to the requirements of the “Local Public Contracts Law” and the “Public School Contracts Law,” except that they shall be considered purposes for which competitive contracting may be used. Competitive contracting is a procedure used to procure various specialized goods and services, which involves the solicitation of formal proposals from vendors through advertisement of a request for proposals. Due to the specialized nature of the goods of services, the evaluation and ranking of the formal proposals may include criteria other than the lowest price. The bill requires the Director of the Division of Local Government Services in the Department of Community Affairs, in consultation with other State government entities, to promulgate rules and regulations to effectuate the provisions of the bill.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the enactment of the bill could result in an indeterminate potential decrease in local costs. The bill would allow local government units, including counties, municipalities, and school districts, to use electronic procurement systems.

Although local units may incur increased up-front expenditures associated with developing and implementing the electronic purchasing systems, these potential costs could be offset by savings not achievable through the current public contracting process. Specifically, the use of technology-based procurement system may allow local units to allocate staff more efficiently and reduce costs associated with the current paper-based public contracting and purchasing system. Electronic purchasing systems also could help local units increase the transparency of the contracting and bidding process, achieve value and promote competition, expand the supplier base, maintain financial controls, measure contractor performance, and promote efficiency in

workflow and approval authority. It should also be noted that the potential costs associated with developing and implementing the electronic purchasing systems would vary depending on the system that is adopted.

The OLS cannot predict the number of local government units that would develop and implement an electronic purchasing system as a result of the bill because the provisions of the bill are permissive in nature. As a result, the OLS cannot quantify the fiscal impact of the bill.

The OLS also notes that the bill would repeal P.L.2001, c.30, the “Local Unit Electronic Technology Pilot Program and Study Act,” which currently allows local units to purchase and sell certain items using on-line procurement systems. That law restricts on-line purchases to bulk commodities, including, but not limited to, rock salt, petroleum products, asphalt, paper products, and chemicals. Local units interested in participating in the pilot program are required to submit a written plan to the Director of the Division of Local Government Services setting forth the following information: (1) whether the system is to be used for purchases, sales, or both; (2) the commodities and services that are to be purchased, and the personal property that is to be sold on the system; (3) whether the system is to be conducted as an “in-house” auction or operated through an on-line purchasing agent; and (4) a description of the proposed system in sufficient enough detail to allow the director to determine whether all aspects of the proposed purchase and sale have been addressed. The director may accept the plan, reject the plan, request additional information, or conditionally accept the plan. The bill replaces this pilot program with a less cumbersome process for developing electronic procurement system.

*Section: Local Government*

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).