

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3137

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: MARCH 21, 2019

SUMMARY

Synopsis: The “Electronic Bidding Construction Act.”

Type of Impact: Indeterminate potential decrease in State and local expenditures.

Agencies Affected: State agencies, counties, municipalities, local authorities, school districts, State colleges, county colleges, and the New Jersey Schools Development Authority.

Office of Legislative Services Estimate

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

- The Office of Legislative Services (OLS) estimates that the enactment of the bill could result in an indeterminate potential decrease in State and local expenditures associated with the limited long-term use of electronic procurement.
- The bill requires State and local government entities to use electronic procurement technologies when contracting for any public works construction project that exceeds \$5,000,000 in value. Government entities subject to this requirement would include State agencies, counties, municipalities, local authorities, school districts, State colleges, county colleges, and the New Jersey Schools Development Authority.
- Although State and local government entities may incur a moderate up-front increase in expenditures associated with developing or purchasing electronic procurement systems, these potential costs could be offset by savings not achievable through the current public contracting process.
- The bill also requires the State Treasurer to promulgate regulations to effectuate the provisions of the bill. The regulations would set forth procedures for awarding contracts,

requirements for contract bids, and standards for systems and services providing electronic procurement processes.

BILL DESCRIPTION

The bill requires State and local government entities to use electronic procurement technologies when contracting for any public works construction project that exceeds \$5,000,000 in value. Specifically, the requirements of the bill would apply to any government entity that is subject to the “Public School Contracts Law,” N.J.S.A.18A:18A-1 et seq. (i.e., local school districts); the “State College Contracts Law,” N.J.S.A.18A:64-52 et seq. (i.e., State colleges); the “County College Contracts Law,” N.J.S.A.18A:64A-25.1 et seq. (i.e., county colleges); N.J.S.A.52:18A-235 et seq. (i.e., the New Jersey Schools Development Authority); the “Local Public Contracts Law,” N.J.S.A.40A:11-1 et seq. (i.e., counties, municipalities, and local authorities); and chapters 32, 33, and 34 of Title 52 of the Revised Statutes (i.e., the State and its agencies and instrumentalities).

The bill also requires the State Treasurer to promulgate regulations to effectuate the electronic procurement of public works construction projects. The regulations would be required to set forth procedures for awarding contracts, requirements for contract bids, and standards for systems and services providing electronic procurement processes. The bill also requires any contractor or vendor who seeks a public works contract under the bill to be classified with the Division of Property Management and Construction in the Department of the Treasury, or be prequalified by the Department of Transportation, New Jersey Transit, or the New Jersey Turnpike Authority, prior to submitting a bid.

The bill would take effect on the first day of the sixth month next following the date of enactment.

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 State and local expenditures associated with the limited long-term use of electronic procurement. Specifically, the bill requires State and local government entities to use electronic procurement technologies when contracting for any public works construction project that exceeds \$5,000,000 in value. Government entities subject to this requirement would include State agencies, counties, municipalities, local authorities, school districts, State colleges, county colleges, and the New Jersey Schools Development Authority.

Although government entities may incur a moderate up-front increase in expenditures associated with developing or purchasing electronic procurement systems, these potential costs could be offset by savings not achievable through the current public contracting process. For example, the use of technology-based procurement systems may allow government units to allocate staff more efficiently and reduce costs associated with the current paper-based public contracting and purchasing systems. Electronic purchasing systems also could help government

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. The OLS also notes that the potential costs associated with developing or purchasing an electronic procurement system would vary depending on the system that is adopted by each government entity.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

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