

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: S1170 (2nd Edition)

SHORT TITLE: Local Government Reverse Auctions

SPONSOR(S): Senator Reeves

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
REVENUES					
EXPENDITURES		None Expected			
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Administration				
EFFECTIVE DATE:	Upon ratification.				

BILL SUMMARY: This bill amends the local government purchasing statutes by adding a new section that authorizes local governmental entities (political subdivisions) to conduct *reverse auctions* for procurement of goods and services. Reverse auctions are a method of purchasing in which bidders compete to provide a good or service at the lowest price. Under this system, bids are public, although bidders identities can still be confidential. A reverse auction can be either conducted in person or through an electronic process. This bill also authorizes political subdivisions to use third-party contractors to conduct the auction. The bill also authorizes the Secretary of Administration to conduct a pilot program for reverse auctions for procurement for school systems.

ASSUMPTIONS AND METHODOLOGY:

As written, this bill only affects local governmental entities and has no impact on state resources. The method should generate savings to local governments.

SOURCES OF DATA: Division of Purchase and Contract

TECHNICAL CONSIDERATIONS: The Department of Administration is authorized to conduct reverse auctions since the Division of Purchase and Contract conducts purchasing for the schools. According to the Purchase and Contract division director, there would be no cost associated with this change. The Division would establish a contract with an application service

provider, who would be compensated out of the proceeds of the auction. If reverse auctions produce savings, they will be savings to the local school systems, as opposed to state government.

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