



Economic Impact Analysis Virginia Department of Planning and Budget

11 VAC 5-20 – Administrative Regulations
Department of Lottery
June 22, 2006

Summary of the Proposed Regulation

The State Lottery Board (board) proposes to remove rules pertaining to the procurement process from the Administrative Code (11 VAC 5-20) and include the language in the Virginia Lottery Purchasing Manual. The current dollar thresholds requiring competitive procedures will be raised from \$2,000 to \$5,000 for good purchases.

Results of Analysis

The benefits likely exceed the costs for all proposed changes.

Estimated Economic Impact

Currently rules pertaining to the procurement process are addressed in the Administrative Code (11 VAC 5-20). The board proposes to remove these rules from the Administrative Code and include them in the Virginia Lottery Purchasing Manual.¹ Also, the board proposes to raise the caps on small good purchases from \$2,000 to \$5,000 in order to be consistent with the rest of state government.² Purchase of goods of \$5,000 or less will be exempted from competitive procurement procedures.

The changeover from a regulation to a purchasing manual will create a more efficient and expeditious purchasing system and allow the State Lottery Department (SLD) to amend the Purchasing Manual to meet changing business needs. The increase of small purchases thresholds from \$2,000 to \$5,000 will create cost savings for SLD. According to SLD, approximately 16 hours of staff time are needed for a typical purchase totaling between \$2,001 and \$5,000, for

¹ This is what the Department of General Services (DGS) has been doing with its purchasing manual.

² For example, according to the Vendor's Manual established by DGS, small good purchases up to \$5,000 can be made by single quotation. Source: <http://dps.dgs.virginia.gov/dps/Manuals/manuals-bottom.htm>

providing information, processing proposals or bids, and conducting future inspections. Given the average hourly wage being \$26.41, raising the cap for competitive procedures from \$2,000 to \$5,000 will create a cost saving of \$423 per order. SLD estimates that half of the 220 purchases made in fiscal year 2005 fell within this range. Supposing that the number of purchases between \$2,000 and \$5,000 remains 110, the proposed regulatory change will create an estimated saving of 1,760 working hours, which equates to \$46,481 given the average hourly wage being \$26.41.

The State Lottery Department believes that raising the competitive bidding cap will result in little to no increase in purchasing prices. Any price increases, if there are any, will likely be outweighed by savings from reduced staff hours. The proposed regulatory changes will impose no costs to the vendor community.

Businesses and Entities

The proposed regulation will cause reduced working hours and thus cost savings for SLD.

Localities Particularly Affected

The proposed regulation will not particularly affect any localities in the Commonwealth.

Projected Impact on Employment

SLD will incur a reduction of 16 working hours on average for each purchase between \$2,001 and \$5,000. Supposing that 110 purchases will be made annually that fall within this range, the estimated total reduction in working hours will be 1,760 hours annually.

Effects on the Use and Value of Private Property

The proposed regulation will likely not have any impact on the use and value of private property.

Small Businesses: Costs and Other Effects

The proposed regulation will likely not have any impact on small businesses.

Small Businesses: Alternative Method that Minimizes Adverse Impact

The proposed regulatory changes will not have any negative impact on small businesses.

Legal Mandate

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.