

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4528

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 15, 2020

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 4528.

As amended, this bill prohibits an auction or reverse auction procedure on bids for advertisement for certain contracts.

The bill permits the Director of the Division of Purchase and Property to structure an advertisement for bids to include an auction or reverse auction procedure. The procedure will be related to the procurement of goods, services, or both, whereby pricing is revealed to all other qualified bidders during the course of the auction or reverse auction. The director is required to determine whether to utilize an auction or reverse auction dependent on if that procedure would result in bids being more advantageous to the State, price and other factors considered.

As amended and reported by the committee, Assembly Bill No. 4528 is identical to Senate Bill No. 2838, which also was amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments prohibit a reverse auction procedure on bids for advertisement for contracts for the provision of hospital, surgical, obstetrical, and other covered health care services and benefits or for the provider network for those services in connection with the State Health Benefits Program, the School Employees' Health Benefits Program and Medicaid Managed Care Program, except for a pharmacy benefit management contract as may be allowed by existing law.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill could potentially result in an indeterminate reduction in annual State expenditures. The OLS does not have access to a list of projects that the Division of Purchase and Property intends to advertise using a reverse auction procurement process.

In general, reverse auctions are conducted electronically, and because bidders are generally approved contractors, reverse auctions are competitive on price and lead to lower contract prices.