



**Testimony of Reinvent Albany to New York State Assembly
Standing Committees on Local Governments and Cities**

Hearing on Local Government Procurement

December 14, 2023

Thank you for holding this hearing. We believe it should be annual – there is much to know about local government procurement. It is constantly changing, and it directly affects how tens of billions in New York tax dollars are spent. These hearings will also help inform taxpayers – and all New Yorkers pay taxes – on whether they are getting the best value for their money.

Reinvent Albany strongly supports public investment and spending for broad social benefit, and to help the most vulnerable. We agree that taxes are the price of civilization. We also strongly believe that it is obvious that we all lose, but the poor and most vulnerable lose the most, when taxpayers overpay vendors for goods and services.

Our perception is that a substantial share of local government procurement processes in New York State lack basic transparency, independent pre-contract review, and sufficient auditing to ensure taxpayers are getting the best value for their money. Given the billions in public dollars being spent, we find it shocking that so little is invested by localities and the state in information technology that would allow local government entities to make their procurements, contract awards, and payment data completely online and available to the public. It's 2023 – New York local government procurement and spending should be fully digitized, online, and generally paperless. Paper-based information processes are slower, more expensive, more error-prone, more difficult to audit, and far less publicly transparent.

We are also deeply concerned by the explosion in the spending, borrowing, and contracting by local public authorities, government-chartered nonprofits, and subsidiaries of government entities that exist outside of conventional procurement processes. The rules governing the menagerie of local government entities procuring goods and services is complicated, and made even more complicated by an ever-increasing number of federal, state, and local social and environmental mandates

that seek to use the procurement process to solve broader societal issues outside the scope any given contracts scope of work.

Recommendations to Make Local Procurement More Accountable and Transparent

1. Put the procurement process completely online for the public in an organized way.

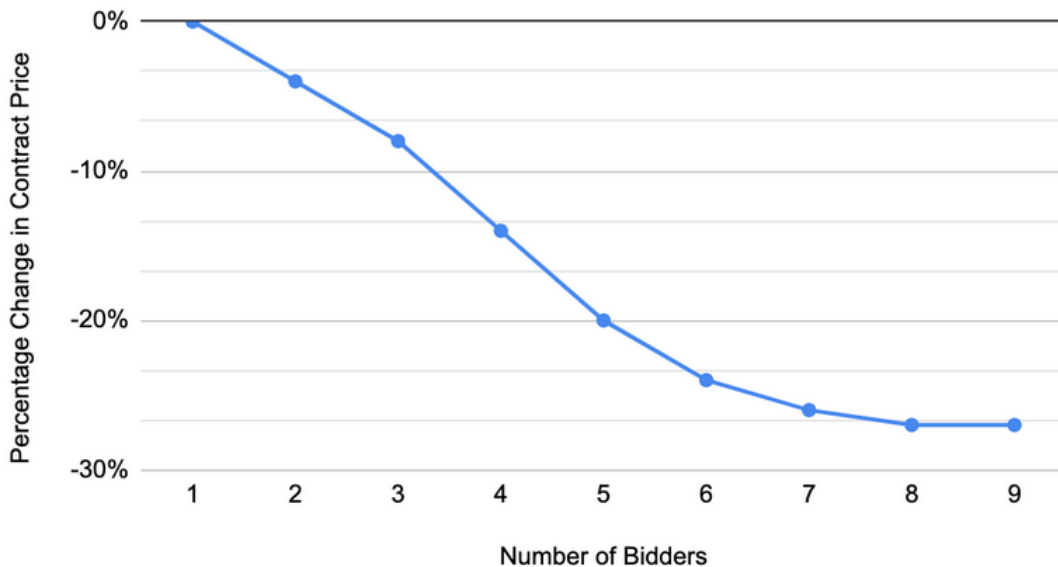
- RFPs, proposals, bids, contract awards, contract summaries and payments to vendors should be entirely digitized, online, and largely published online. The Legislature could consider mandates.
- Local government [disclosures submitted to the State Comptroller](#) should be submitted only via online forms/applications – not using PDF forms that can be printed on paper, filled out, and mailed in to be re-digitized by OSC.
- The database of poor performing vendors maintained by the Department of Labor should be published in an open data format and fully downloadable by the public (the list is currently hidden behind an elaborate, restrictive search screen).
- OSC should produce recommendations with local governments on the state’s best practices for putting the procurement process, award announcements, contracts, and payments to vendors online. There is a huge gap between leading and lagging agencies within and between local government jurisdictions.

2. Encourage competitive bidding – it saves money, increases transparency, and reduces corruption.

Localities should be required to publish as open data the number of bidders for each contract they award.

According to [one of our favorite studies](#), contracts bid on by six or more vendors were 24% less expensive than sole-source (see the chart below). Publishing in the *Journal of Construction Engineering and Management*, Paul Carr at Cornell used sophisticated statistical techniques to analyze hundreds of government contracts and show that there is a “Goldilocks Zone” for government agencies looking for vendors.

Contract Price Per Number of Bidders



3. Look at agency procurement data and determine the optimal number of bidders for various types and sizes of contracts.

Local governments in New York could learn a great deal from looking at their own procurement data and seeing if different types and sizes of goods and service contracts have different Goldilocks Zones in which a minimum number of vendors provides big cost savings. It may be that IT contracts are not the same as addiction prevention or road contracts – we do not know – but towns, counties, and the state should. The data is there.

4. Report number of sources in contracts.

Sole-source costs more. Local governments should clearly report what portion of their contract expenditures are sole-source, two-source, three, et cetera. There are cases where only a single vendor can provide a service or goods, but competitive bidding saves money and typically produces better value.

5. Seek broad public benefits from government expenditures. Mandates may be good overall policy, but state mandates, requirements, and restrictions inevitably increase contract costs for local government.

While it is completely logical to want to get the most societal value from government expenditures, broadly speaking, imposing social and environmental mandates on potential vendors to local governments will increase what local taxpayers pay for goods and services. State policy makers may rightly feel that these additional costs are well worth the broader public benefit, but it is important to keep in mind state mandates are

not a free lunch – they are a cost shifted onto specific local procurements to achieve policy goals beyond the scope of the goods and services the locality is seeking. We do not know what the right balance is here, but we are struck by the lack of data or reporting that would help policymakers better understand this cost-shifting.

The more expensive and complex state and local procurement becomes, the more the government will seek to buy goods and services outside of the conventional procurement process. Reinvent Albany has tracked a proliferation of state and local public authorities, publicly chartered non-profits, and quasi-governmental agencies. We have also seen a big increase in the size of the contracts mayoral or executive emergency orders exempt from competitive bidding or oversight requirements. We perceive, but have not documented, that a growing share of state and local procurement is being done outside of the standard-line agency procurement process because agencies find the procurement process excessively slow and cumbersome.

We do not have an opinion on the progressive design concept, but generally support trying new things, and carefully documenting and assessing how well they worked.

Thank you for allowing us the opportunity to testify. Please send questions or comments to Tom Speaker, Legislative Director, at tom [at] reinventalbany [dot] org.