



TACIR INSIGHT

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

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E-PROCUREMENT FOR LOCAL GOVERNMENTS

Background

As government purchases are made using taxpayer dollars, public procurement is subject to tighter regulations, more intensive scrutiny, and a greater degree of accountability than private sector procurement. As technology has advanced, local governments are increasingly using new tools and services to improve their effectiveness and efficiency. To that end, Tennessee Code Annotated, Section 12-4-116 provides that Tennessee's local governments may receive bids, proposals and other offers electronically, i.e. online. In 2019, lobbyists for a Louisiana company that provides e-procurement systems to local governments advocated for passage of a bill (House Bill 635 by Travis) that would have amended state law to make the receipt of online bids mandatory instead of permissive, requiring Tennessee's local governments to provide a "secure electronic interactive system" and to accept online bids and other offers. House Bill 635 was referred to the Commission for study, while the senate version was never placed on a committee calendar.

Tennessee's local government stakeholders oppose the bill, calling it an "unfunded mandate that is driven by a vendor with a stake in electronic bidding software and services." Stakeholders noted that receiving online bids and other offers can be beneficial, but not for all local governments or for all purchases for which they solicitate bids and other offers. While a few of Tennessee's local governments already have online systems in place to receive electronic bids, most do not. To meet the requirements of the bill, those governments would be required to develop their own e-procurement systems or contract with an e-procurement service provider. Only two states—Louisiana and Mississippi—have similar requirements of their local governments.

Findings and Recommendations

- While recognizing the potential benefits of receiving online bids and other offers, the Commission does not recommend making it mandatory for Tennessee's local governments.
- Policymakers may want to consider the approaches taken by states like Maryland and Virginia, which have state-level e-procurement systems that they allow their local governments to use to receive online bids and other offers. State officials estimate that it would cost approximately \$100,000 to upgrade Tennessee's state level e-procurement system to make it available to local governments to receive online bids and other offers.