

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB2845

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Baskerville

3. Committee General Laws

4. Title Small businesses; encourages participation in state procurement transactions.

5. Summary/Purpose: The bill requires all state agencies, including those with independent purchasing authority, the Department of General Services (DGS), and the Virginia Information Technology Authority (VITA), to set aside exclusively for Virginia small businesses every acquisition of goods and services by a public body in state government anticipated to be under \$50,000, unless the purchasing officer finds that there is a reasonable expectation of fewer than two bids by small businesses. The bill also requires the department to revise the eVA fee schedule to provide for an equal percentage fee for eVA transactions regardless of size of the transaction.

6. Fiscal Impact Estimates are: Indeterminate.

7. Budget amendment necessary: Yes

8. Fiscal implications: The bill will require system changes. Based on historical averages, it is estimated to cost DGS \$900,000 to restructure contracts and procedures to accommodate the small, women and minority (SWAM) owned businesses changes required by this bill. VITA will also incur costs for technology related procedure modifications.

Procurement data collected by eVA, the Commonwealth's electronic procurement system, has been used to leverage the Commonwealth's buying power in the marketplace resulting in significant reductions in the cost of goods and services. It is estimated that these cost reductions, along with associated savings and cost avoidances, are in the tens of millions of dollars already, and the full potential has yet to be realized as the volume in the use of eVA by state agencies, local governments, and school systems is increasing at a robust pace.

This legislation provides that procurements below \$50,000 are to be set-aside for Virginia small businesses only, if there is a reasonable expectation of two or more bids from Virginia businesses. This requirement will decrease competition and thus increase the cost of goods and services because eighty percent of current purchases are less than \$50,000.

The bill could have a significantly negative impact on electronic procurement, statewide

contracts, and the Virginia Partners in Procurement's (VAPP) leveraged buying programs for non-technology purchases alone. DGS estimates that there could be a loss of \$69 million in cost avoidance savings to state agencies and local government. Savings and cost avoidances for technology procurement account for additional millions of dollars and may also be impacted by this bill.

The restructuring of fees for participating in eVA may reduce program revenues. DGS indicates that restructuring eVA fees could result in cancellation of the eVA contract by American Management Systems (CGI-AMS), the contractor providing the eVA services.

9. Specific agency or political subdivisions affected: All state agencies, including those with independent purchasing authority, institutions of higher education, many local governments.

10. Technical amendment necessary: Yes - Line 36 and 38 (VIPP) needs to be changed to (VaPP).

11. Other comments: None

Date: 01/31/05/ wfb

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cc: Secretary of Technology
Secretary of Administration