

**Department of Planning and Budget**  
**2007 Fiscal Impact Statement**

**1. Bill Number** SB861

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

**2. Patron**        Reynolds

**3. Committee**    General Laws and Technology

**4. Title**            Virginia Public Procurement Act; required disclosure; location where services are to be performed under the contract

**5. Summary/Purpose:** This bill requires prospective vendors for state service contracts to disclose the location where services will be performed under the contract, including any subcontracts, and whether any services under the contract, including any subcontracts, are anticipated to be performed outside of the United States. In addition, the bill provides that the state public body may consider the disclosure of the prospective vendor and the economic impact to the Commonwealth and its citizens in awarding the contract or evaluating the bid or offer. Under the bill, if the vendor subsequently changes the location where the services are performed to a location outside of the United States, then the vendor will be in breach of the contract unless the public body makes a written determination that circumstances required the change in location or termination of the contract would not be in the best interest of the Commonwealth. The bill also provides for the Department of General Services to submit to the Governor and General Assembly by September 30 of each year a report detailing the impact of outsourcing services on the procurement cost of the Commonwealth.

**6. Fiscal Impact Estimates are:** See Item 8.

**7. Budget amendment necessary:** Yes, Item 72.

**8. Fiscal implications:** Fiscal impact estimates are indeterminate, however, this bill could increase costs and limit competition. It is anticipated that DGS will have to hire additional personnel to meet the reporting requirements; therefore, additional funding will be required. DGS estimates that this bill will cost an additional \$510,000 annually for six positions with an annual salary of \$65,000 each. In addition, the cost of fringe benefits for these positions is estimated at 30 percent of annual salary. This estimate assumes that the positions would not be filled until July 1, 2007.

1 - FTE to coordinate with all state agencies: collect, review and prepare data for a consolidated report on IT services purchased under VITA procurement policy

1 - FTE to coordinate with all state agencies: collect, review and prepare data for a consolidated report on construction services purchased under the BCOM Construction and Professional Services Manual

1 - FTE to coordinate with all state agencies: collect, review and prepare data for a consolidated report on services purchased under the Division of Purchase and Supply Procurement Manual

1 - FTE to coordinate with all institutions of higher education with procurement authority to: collect, review and prepare data for a consolidate report on construction, IT, non-construction/non-IT purchases

2 - FTE to coordinate with all localities across the state to: collect, review, and prepare data for a consolidated report on construction, IT, non-construction/non-IT purchases

This bill, as written, authorizes that agencies may give consideration of the location of where services will be performed and the economic impact to the Commonwealth. Limiting where the services can be provided may increase costs. The bill does not address how agencies would assess the economic impact to the Commonwealth. In order for the public body to be able to determine the economic impact to the Commonwealth, additional information would be required from the prospective of vendors (i.e. state that it is registered to conduct business) increasing administrative lead time and cost.

The proposed legislation will increase costs to state public bodies whenever the costs to perform services inside the United States is higher than the costs to perform services outside the United States. These costs are unknown.

To meet the annual reporting requirement, DGS will be required to manually compile and report the data to the Governor and General Assembly. This would require additional staff, as there is no existing automated process for this data to be captured, resulting in a fiscal impact. State public bodies may also require additional resources to meet the requirements of the bill. These costs are unknown.

The proposed language is also open to interpretation as a preference for Virginia vendors and invites reciprocity by other states against Virginia vendors.

**9. Specific agency or political subdivisions affected:** All public bodies

**10. Technical amendment necessary:** No

**11. Other comments:** This bill is similar to HB1917.

**Date:** 01/22/07 / AFG

**Document:** G:\AFG\General Assembly 2007 Session\FIS 2007\SB861.Doc AFG

**cc:** Secretary of Administration