

Department of Planning and Budget 2011 Fiscal Impact Statement

REVISED

1. Bill Number: HB1671

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
 Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Pogge, B.**3. Committee:** General Laws**4. Title:** Public procurement; person with a disability-owned businesses.

5. Summary: Includes person with a disability-owned business in the public procurement provisions for small, women-owned, and minority-owned businesses. The bill defines "person with a disability-owned business" and "disability." The bill contains technical amendments.

6. Budget Amendment Necessary: Yes, Item 78**7. Fiscal Impact Estimates:****7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$301,000	--	NGF
2012	\$370,000	3.0	GF
2013	\$160,000	--	GF
2014	\$160,000	--	GF
2015	\$160,000	--	GF
2016	\$160,000	--	GF
2016	\$160,000	--	GF
2017	\$160,000	--	GF

8. Fiscal Implications: If the Governor establishes enhancement or remedial measures for "person with a disability-owned businesses" the Department of Minority Business Enterprises (DMBE) will need to certify "person with a disability-owned businesses", and the Department of General Services (DGS) and Virginia Information Technologies Agency (VITA) will be required to implement procurement regulations for the utilization of "person with a disability-owned business".

If this preference is implemented for "person with a disability-owned businesses", this may decrease procurements being awarded to businesses under remedial programs already in place. Having multiple preferences may result in further decreased competition and increase prices during an already difficult budget environment.

DGS: The Commonwealth's electronic procurement system will need to be upgraded to handle the procurement requirement as a result of this legislation. The estimate on the one-time cost to upgrade the system is \$301,000 (2,150 hrs * \$140 per hour) which would be supported through the eVA nongeneral fund. General Funds would not be needed for this upgrade. Upgrade programming tasks include: revision of inbound web services to accept automated feed of new certification types, revision of outbound web services to provide new certification types to external systems, creation of vendor and catalog display, requisition and order data capture, creation of bidder list and bid display, creation of bid and award data capture, integration to Ariba Buyer, creation of vendor list display, change to date structure for order records, re-write of existing reports for new data structure, creation of new reports for the new certification type, and revision to existing real-time requisition and order integration with external agency financial systems

In addition, the requirements in this bill will require a change to the Commonwealth's vendor data standard which will require programmatic changes to all state agency financial systems that have automated vendor data feeds from the Commonwealth's electronic procurement system. The cost to change financial systems statewide is indeterminate.

DMBE: Implementation of this legislation will require \$220,000 in one-time costs: \$100,000 for an expanded certification database; \$100,000 for an expanded Expenditure Tracking System, and \$20,000 for initial IT equipment, e.g., PCs, laptops, telecommunications.

Ongoing annual costs will include \$150,000 for three positions and \$10,000 for maintenance of both systems.

- 9. Specific Agency or Political Subdivisions Affected:** All public bodies, excluding level III (VT, UVA, W&M, and VCU) and Level II (RU, VMI, JMU, GMU, LU, and ODU) institutions operating under Management Agreements and Memorandas of Understanding.

10. Technical Amendment Necessary: No

- 11. Other Comments:** The bill does not clearly assign certification responsibility to DMBE and "Person with a disability-owned business" was not added to the "certification" definition in §2.2-1401 and §2.2-1403.8 as a business type for DMBE to adopt regulations for minimum requirements for certification. Similar programs have shown a five to forty percent increase in the cost of goods and services. Additionally preferences increase administrative processing time and delay procurement awards.

Date: 1/25/11

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c: Secretary of Administration