

## Department of Planning and Budget 2011 Fiscal Impact Statement

**1. Bill Number:** SB1016

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

**2. Patron:** Puckett, P.**3. Committee:** General Laws**4. Title:** Establish programs to facilitate the use of HUB zones.

**5. Summary:** This bill requires the Department of General Services (DGS) and the Virginia Information Technologies Agency (VITA) to develop procurement regulations for the utilization of small businesses located in historically underutilized business zones (HUB zones). The bill also authorizes public bodies to establish programs to facilitate the participation of small businesses in HUB zones. Such programs must be in writing and comply with any enhancement or remedial measures authorized by the Governor in the case of state agencies or the chief executive of a local governing body in the case of local agencies.

**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	\$20,000		GF
2013	\$2,000		GF
2014	\$2,000		GF
2015	\$2,000		GF
2016	\$2,000		GF
2016	\$2,000		GF

**8. Fiscal Implications:** If the Governor establishes enhancement or remedial measures for utilization of small businesses located in HUB zones the Department of Minority Business Enterprises (DMBE) will need to certify small businesses located in HUB zones, and the Department of General Services (DGS) and Virginia Information Technologies Agency (VITA) will be required to implement procurement regulations for the utilization of small businesses located in HUB zones.

If this preference is implemented for utilization of small businesses located in HUB zones this will likely decrease procurements being awarded to small businesses under remedial programs already in place. Having multiple preferences may result in further decreased competition and increase prices for goods and services.

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 will be funded via the eVA fund. General Funds would not be used 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 data 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.

DMBE's electronic small business certification system will need to be upgraded to handle the certification process requirement as a result of this legislation. The estimate of the one-time cost to upgrade the system is \$20,000 (250 hrs \* \$80 per hour). Upgrade programming tasks include: revision of inbound web services to accept automated feed of new certification types, revision of outbound services to provide new certification types to external systems, creation of business certification display, re-write of existing reports for new data structure, and creation of new reports for the new certification type. Ongoing costs will be \$2,000 per year for maintenance.

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.

**9. Specific Agency or Political Subdivisions Affected:** All public bodies

**10. Technical Amendment Necessary:** No

**11. Other Comments:** Similar programs have shown a five to 40 percent increase in the cost of goods and services. Additionally preferences increase administrative processing time and delay procurement awards. This bill is a companion bill to HB1581.

**Date:** 1/25/11

**Document:**

c: Secretary of Administration