

## Department of Planning and Budget 2012 Fiscal Impact Statement

**1. Bill Number:** HB1044

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

**2. Patron:**    Keam

**3. Committee:** General Laws and Technology

**4. Title:**    Department of Minority Business Enterprises; definition of small business.

**5. Summary:** Changes the definition of "small business" to be a business that meets the definition of a small business concern as defined in the federal Small Business Act (15 U.S.C. § 631 et seq.).

**6. Budget Amendment Necessary:** Yes, Item 86, HB 30

**7. Fiscal Impact Estimates:** Preliminary

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	0	0	
2013	\$350,000	6	General
2014	\$350,000	6	General
2015	\$200,000	5	General
2016	\$200,000	5	General
2017	\$200,000	5	General
2018	\$200,000	5	General

**8. Fiscal Implications:** According to Department of General Service (DGS), this bill creates an in-state certification preference for Virginia small businesses. Procurement preferences can limit competition and result in the increased costs of goods and services. In addition, preference procurements can increase administrative processing time and delay procurement awards. The bill adopts the federally used classification system for a small business. Adoption of this system could result in the Commonwealth having to substantially increase its resources and costs. Department of Minority Business Enterprises (DMBE) will have to evaluate and recertify all small businesses that meet the new definition.

DMBE states that the adoption of the bill would require that the agency hire a minimum of five additional staff for FY 2013 at a cost of \$40,000 per person (\$200,000) to go back and reclassify the existing firms and maintain this staff going forward in order to handle the additional caseload. A classification system would have to be developed since Virginia firms are allowed a minimum of 10 NAICS codes in DMBE databases, so each firm's paperwork

would have to be checked for multiple categories under the federal classification. According to DBME, there would also be a requirement to make some database modifications to manage the number of documents expected to be received and also additional scanning would be necessary with a cost of \$80,000 for two years due to the level of the change needed. The agency indicates that it would need to hire one IT project manager to oversee the database revision at a cost of \$70,000 for both FY 2013 and FY 2014. After FY 2014, it is indicated that this IT project manager will no longer be needed as the system should be up-running.

**9. Specific Agency or Political Subdivisions Affected:** All state agencies

**10. Technical Amendment Necessary:** No

**11. Other Comments:** N/A

**Date:** 1/30/2012