

## Department of Planning and Budget 2014 Fiscal Impact Statement

**1. Bill Number:** SB427

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

**2. Patron:** Hanger

**3. Committee:** General Laws

**4. Title:** Department of Small Business and Supplier Diversity; employment services organizations.

**5. Summary:** This substitute bill includes employment services organizations in the development and operation of any state procurement program or program goals and targets for small, women-owned, and minority-owned businesses. The bill also requires that the Department of Small Business and Supplier Diversity develop comprehensive plans and program goals for employment services organizations, review all proposed state training and technical assistance activities in support of employment services organizations, and convene leaders, educators and other representatives to assist in the development of employment services organizations programs.

**6. Budget Amendment Necessary:** Yes, to Item 118 of HB30/SB30.

**7. Fiscal Impact Estimates:** Preliminary, see item 8.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	n/a	n/a	n/a
2015	\$820,000	4	General Fund
2016	\$380,000	4	General Fund
2017	\$380,000	4	General Fund
2018	\$380,000	4	General Fund
2019	\$380,000	4	General Fund
2020	\$380,000	4	General Fund

**7b. Revenue Impact:** None.

**8. Fiscal Implications:** It is anticipated that this bill will have an expenditure impact on the Department of Small Business and Supplier Diversity (DSBSD). DSBSD indicates that additional resources are necessary to implement the provisions of the bill.

The proposed legislation authorizes employment services organizations to be included in procurement programs, which will allow state agencies to include these organizations toward their targets for small, women-owned and minority-owned business (SWaM) purchasing programs. Chapter 583 of the 2012 Acts of Assembly required DSBSD to certify the

employment services organizations but did not provide that these organizations could partake in benefits of procurement programs implemented by the state.

Although current statute requires that DSBSD certify employment services organizations, the department did not update its online certification database system to achieve this. Instead, the department has been certifying these organizations through a paper application process. As this bill expands the benefits of employment services organizations and allows state agencies to procure their services similar to SWaM businesses, DSBSD believes that the certification system will need to be updated. The department estimates that database redesign and revisions of various software systems will cost approximately \$540,000. This cost is one-time in FY 2015. The software system revisions include altering the database interface with web search for certified firms, web search for certification status, web directory posting, commodity web search, location web search, SWaM category search, system email notifications, eVA upload, credit card upload, and document tracking. The department's system also supports the submission of the "Agency SWaM Plan," a web submission plan required of state agencies. This will also need to be revised. Lastly, the department will need to revise the SWaM Expenditure Dashboard to track the employment services organizations expenditures. According to DSBSD, these revisions will require the agency to issue new RFPs since the software applications only require maintenance fees presently. DSBSD estimates that the IT system hosting and maintenance fees associated with the revisions will cost the department about \$100,000 annually.

DSBSD also believes that this bill will require the addition of staff. Beginning in FY 2015, the department estimates that it will need four new positions: one project manager to implement the IT process development and interface process with other agencies; two program coordinators to provide training and guidance to the state agency procurement officers and other staff with procurement responsibilities; and one new employee to manage expenditure submissions. The personnel costs including salary, benefits, IT equipment and office supplies are estimated to be \$70,000 per position, annually. The agency has stated that the project manager position will be re-classified from project management to system owner to work with state agencies beginning in FY 2016. The total cost of these four positions is \$280,000 annually.

The agency believes that the duties associated with this bill cannot be absorbed by current staff. The bill also requires that DSBSD develop plans and program goals for employment services organizations, review proposed state training programs and technical assistance activities that support employment services organizations, and convene business leaders and private sector representatives who are engaged in assisting and contributing to employment services organizations. Currently, the department carries out these duties specific to SWaM businesses. According to DSBSD, current staff are not familiar with the policies and procedures associated with employment services organizations, as they are considered not-for-profit by the Code of Virginia and IRS standards.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Small Business and Supplier Diversity; Department of General Services; state agencies.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.