

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: SB649

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron: Norment

3. Committee: Passed Both Houses.

4. Title: State and Local Government Conflict of Interests Act and General Assembly Conflicts of Interests Act; Virginia Conflict of Interest and Ethics Advisory Council.

5. Summary: The bill establishes the Virginia Conflict of Interest and Ethics Advisory Council composed of 15 members: four appointments each by the Speaker of the House of Delegates, Senate Committee on Rules, and Governor; one designee of the Attorney General; one member from the Virginia Association of Counties; and one representative of the Virginia Municipal League. The Council will elect its chairman and vice-chairman and choose its executive director. The Council will review and post online the disclosure forms filed by lobbyists and persons subject to the conflict of interest acts and provide formal opinions and informal advice, education, and training. The bill requires the filing of the disclosure forms twice a year. It provides that the Division of Legislative Services will staff the Council, and the House and Senate Clerks will transmit complaints of conflict law violations to the ethics advisory panels of the House of Delegates and Senate. The bill prohibits tangible gifts with a value of more than \$250 from lobbyists to certain executive officers and employees and to legislators. A number of disclosure provision thresholds are reduced from \$10,000 to \$5,000 and gifts to immediate family members are made subject to disclosure.

6. Budget Amendment Necessary: See Item 8.

7. Fiscal Impact Estimates: FINAL.

8. Fiscal Implications: This bill creates the Virginia Conflict of Interest and Ethics Advisory Council to help educate applicable parties and facilitate compliance with the State and Local Government Conflict of Interests Act. The new advisory council will have a membership of 15 and will employ an executive director. Additional staff support will be provided by the Division of Legislative Services.

The costs associated with the new council are expected to exceed the costs of the Freedom of Information Advisory Council which has a similar educational mission. The annual budget for the Freedom of Information Advisory Council in the introduced budget bill is \$190,000. However, in addition to an educational role, the new council will be required to collect and review disclosure submissions as well as establish and maintain a database to provide public

access to this information. The costs associated with requirements of creating and maintaining a publicly searchable database by July 1, 2015, are not known at this time. It is possible that costs can be somewhat contained by utilizing or expanding the conflict of interest disclosure system already established and active at the SOC. Another possibility is that the costs associated with processing and reviewing disclosure form submissions could in part, be covered by the fact that the bill removes conflict of interest functions from the Office of the Secretary of the Commonwealth (SOC). This would potentially allow for the transfer of approximately \$70,000 currently budgeted for this purpose in the SOC. This \$70,000 currently covers two FTE positions in the SOC.

In addition to the potential costs enumerated above, the proposed bill could impact local and regional jails and the State Compensation Board. Although insufficient data exists to determine the fiscal impact due to this proposal, the proposed legislation could result in an increase in the jail population since Class 1 misdemeanor outcomes result in sentences of up to 12 months in jail (and a fine up to \$2,500). Any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanant or otherwise local responsible prisoner held in a jail. It also funds most of the jails' operating costs, e.g. correctional officers. The state's share of these costs on per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's FY2012 Jail Cost Report (November 1, 2013), the estimated total state support for local and regional jails averaged \$30.06 per state inmate, per day in FY 2012.

The changes to disclosure rules set-out in this bill are not expected to create a significant cost to state agencies or other political subdivisions.

9. Specific Agency or Political Subdivisions Affected: All state agencies and political subdivisions.

10. Technical Amendment Necessary: No.

11. Other Comments: The bill is identical to House Bill 1211 as enrolled. The Senate budget transfers the general fund appropriation of \$70,000 and 2 positions each year from the SOC to the Division of Legislative Services (on behalf of the new council), as detailed in budget amendments 25#1s and 62#2s, related to the transfer of conflict of interest responsibilities to the new council.

3/19/2014