

## **Department of Planning and Budget 2017 Fiscal Impact Statement**

**1. Bill Number:** HB2047

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

**2. Patron:** Murphy

**3. Committee:** Science and Technology

**4. Title:** Chief Information Officer of the Commonwealth; contract review.

**5. Summary:** Directs the Chief Information Officer of the Commonwealth, Director of the Department of General Services, and the Office of the Attorney General to conduct a periodic review of existing contracts of executive branch agencies with contractors to ensure that such contract terms are being adhered to as they relate to the security of government information. The bill requires completion of the initial review by January 1, 2018, and submission of a report to the Governor and the General Assembly by February 1, 2018. Thereafter, a periodic review is required at such times as deemed appropriate by the CIO, the Director of the Department of General Services, and the Office of the Attorney General. The bill provides that such review applies to contracts entered into on or after July 1, 2017 or any renewals thereof on or after July 1, 2017.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate – see Item 8.

**8. Fiscal Implications:** The fiscal impact of this legislation is currently indeterminate, however, due to the potential number of contracts subject to the review required in this bill and the time needed to review and audit such contracts, the three reviewing agencies will require additional staff.

This legislation would direct the Commonwealth's Chief Information Officer (CIO; who is also the agency head of the Virginia Information Technologies Agency or "VITA"), the Director of the Department of General Services (DGS), and the Office of the Attorney General (OAG), collectively referred to in this fiscal impact statement as "the reviewing agencies", to conduct a periodic review of existing contracts of state agencies with contractors to ensure compliance with contract terms related to the security of government information.

The bill applies to all contracts entered into by state agencies which would have contractors. The initial review period applies to all such contracts entered into or renewed on or after July 1, 2017 up until January 1, 2018. VITA estimates that state agencies could enter into or renew hundreds to thousands of contracts that would be subject to the provisions of this bill during that time period.

The three reviewing agencies are to review all such contracts to ensure that contract terms for the security of government information are being adhered to. The bill does not define “government information,” but indicates that it includes citizen data. VITA notes that staff would have to review each contract in order to understand the terms and then conduct an audit or assessment of each supplier or vendor to ensure that the contract terms are being followed.

The review is to also include a review of existing contract terms and conditions to ensure consistent levels of monitoring, reporting, and accountability of contractors and subcontractors. If the reviewing agencies determine that such conditions are not being met, they are to require the agency that holds the contract to take action to modify, as is practicable, any existing contract or to modify the contract when it becomes eligible for renewal. VITA notes that during a contract negotiation or renegotiation, the contractor may request revisions to other parts of the contract, which may generate a fiscal impact.

Due to the estimated volume of contracts subject to the provisions of this bill and the time frame with which the report is to be completed, VITA anticipates that the agency would need to hire contractors in the short term to begin the review. The bill requires that this review be repeated periodically, at such times as deemed appropriate by the CIO, the Director of DGS, and the OAG. VITA indicates that in order to keep pace with the volume of contracts, the review may need to be ongoing which would require additional staff.

The bill does not specify how the reviews are to be paid for. If the reviewing agencies are to pay for the reviews, they would require additional general fund appropriation or the authority for new internal service fund rates. Internal service fund rates would be charged to the agencies being reviewed and those agencies would require additional funding in order to pay the new rates.

- 9. Specific Agency or Political Subdivisions Affected:** Virginia Information Technologies Agency, Department of General Services, Office of the Attorney General, all state agencies which are parties to contracts with contractors

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** VITA notes that the agency is involved in the procurement and negotiation phases for information technology related contracts valued at \$1.0 million or more and that VITA includes adherence to the Commonwealth’s information technology security standards as part of the contract terms negotiations. Following negotiations, however, the ongoing management of an agency contract is the responsibility of that agency.