Department of Planning and Budget
2019 Fiscal Impact Statement

1. **Bill Number:** HB1668- ER

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

2. **Patron:** Carr

3. **Committee:** Passed Both Houses

4. **Title:** Virginia Public Procurement Act; high-risk contracts, report.

5. **Summary:** Requires the Department of General Services (DGS), the Virginia Information Technologies Agency (VITA), and the Office of the Attorney General, as appropriate, to review contract solicitations and contracts for any public contract for goods, services, insurance, or construction that meets the definition of high-risk contract provided in the bill. Employees designated as primary administrators of high-risk contracts are required to complete a training program on effective contract administration created by DGS and VITA pursuant to requirements of the bill prior to commencing high-risk contract administration duties. Some provisions of the bill have delayed effective dates for implementation of the high-risk contract training and review processes.

6. **Budget Amendment Necessary**: Yes

7. **Fiscal Impact Estimates:**

7a. Expenditure Impact: Virginia Information Technologies Agency

Fiscal Year	*Dollars*	*Positions*	*Fund*
2019	0	0	N/A
2020	$737,799	4	IFA
2021	$737,799	4	IFA
2022	$487,799	4	IFA
2023	$487,799	4	IFA
2024	$487,799	4	IFA
2025	$487,799	4	IFA

7a. Expenditure Impact: Department of General Services

Fiscal Year	*Dollars*	*Positions*	*Fund*
2019	0	0	N/A
2020	$487,799	4	02060/05050
2021	$487,799	4	02060/05050
2022	$487,799	4	02060/05050
2023	$487,799	4	02060/05050
2024	$487,799	4	02060/05050
2025	$487,799	4	02060/05050

8. Fiscal Implications:

Virginia Information Technologies Agency (VITA): VITA currently conducts a limited review of Requests for Proposals and proposed contracts. This bill will require this service to be expanded. Additionally, at this time VITA has approximately 60 state contracts that would meet the high-risk definition provided; this figure does not include the Infrastructure Services contracts that replaced the services provided by Northrop Grumman. To comply with this legislation's requirements, VITA would have to add management of these additional 60 high-risk-contracts as well as provide training to agencies on the establishment and management of high-risk IT contracts. To accomplish this VITA would need 6 additional personnel to implement the aforementioned. VITA would require four additional contract specialists for researching, updating and reviewing terms and conditions for the 60 IT contracts, and to serve as a resource for agencies tasked with managing their own high-risk IT contracts.

This constitutes 4 incremental personnel at an estimated cost of $487,799/year to meet the legislation's goals. Further, VITA also will need consultants and resources to establish the initial processes and systems, with an estimated cost of $500,000 spread over FY20 and FY21. These costs cannot be supported by VITA's internal service funds and, therefore, must be supported by general funds.

This bill directs VITA to work with the Department of Planning and Budget (DPB) to ensure the implementation costs of this bill are paid through internal service funds. However § 2.2-2013 B., Code of Virginia establishes the Acquisition Services Special Fund (IFA) for procurement and contracting activities. If this fund was used to pay for the costs associated with this bill rather than the internal services fund, the general fund portion would be eliminated.

Department of General Services (DGS): To implement the requirements DGS/Division of Purchases and Supply requires four additional positions and funding that totals to $487,799. The Policy and Review Bureau staff are fully dedicated to development and implementation of statewide procurement policies, providing consulting to state agencies, and compliance reviews for procurements conducted within agencies delegation and use central electronic procurement system. The bill directs DGS and VITA to develop guidelines for state agencies to use when assigning staff to administer high-risk contracts. Such guidelines shall provide that any staff designated as a contract administrator shall have prior contract administration experience and shall direct an agency's chief procurement officer to communicate to such contract administrator, when they first assume their role, their responsibilities for effectively administering the contract. There is no additional capacity for existing staff to implement the bills required review high-risk solicitations and the resulting contract awards in a timely manner and not delay the procurement of needed goods, services, and construction by agencies under DGS purview.

Office of the Attorney General (OAG): At this time the fiscal impact for OAG is indeterminate.

9. **Specific Agency or Political Subdivisions Affected:** This bill impacts the Department of General Services (DGS), Virginia Information Technologies Agency (VITA), the Office of the Attorney General (OAG) and all state local public bodies subject to the *Virginia Public Procurement Act* (VPPA).

10. Technical Amendment Necessary: No

11. Other Comments: None