

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB1650

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

2. Patron: Ward

3. Committee: General Laws

4. Title: Department of Small Business and Supplier Diversity; Small Business Procurement Enhancement Program.

5. Summary: This bill establishes the Small Business Procurement Enhancement Program (the Program) with a statewide goal of 42 percent of small business utilization in all discretionary spending by state agencies in procurement orders, prime contracts, and subcontracts. In addition, the bill (i) provides for a small business set-aside for competition among all small businesses for state agency purchases up to \$100,000 for goods, nonprofessional services, and construction, and up to \$80,000 for professional services, and (ii) establishes certification criteria for participation in the Program by business operations on the basis of the total number of employees or annual gross receipts, averaged over the previous three years.

6. Budget Amendment Necessary: Yes, Item 128 HB/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>
2020	\$45,000	N/A	GF

8. Fiscal Implications: The Department of Small Business and Supplier Diversity (DSBSD) anticipates an expenditure impact as a result of this bill, as it would require the certification of small businesses to be done using size and revenue standards for six individual categories. Currently there is one definition that is used for the certification of all small businesses. This new methodology would require DSBSD's Certification Portal to be updated to include the six categories listed in the bill. DSBSD obtained a quote from the vendor that developed the application and has indicated that the cost to make the necessary updates will be \$45,000 and take approximately eight weeks to complete.

Additionally, this bill will have an indeterminate fiscal impact on state agencies and institutions of higher education that contract for services and have capital outlay construction projects. The bill places additional requirements on state agencies in procuring services. These responsibilities include requiring state agencies to require each prime contractor, defined in the bill as a contractor that has full legal responsibility for completion of a contract with a public body, to include in each proposal or bid a small, woman-owned, and minority-

owned business (SWaM) procurement plan detailing intended subcontractor participation of such businesses. Each prime contractor awarded a contract shall comply with the SWaM procurement plan. Also, state agencies are required to designate an existing employee as a small business procurement enhancement liaison to ensure participation in the Program and to advocate for small businesses that hold active contracts with the agency. The bill requires state agencies to annually submit their procurement plans to DSBSD. Under the provisions of the bill, for all new capital outlay construction solicitations there is to be a target of 50 percent subcontracting to small businesses.

It is anticipated that this bill will not result in a fiscal impact to the Department of General Services.

According to the Department of Accounts, changes to the definition of small business are expected to require minor reconfigurations in the Cardinal Financial System. However, such changes are expected to be able to be absorbed within existing funding and appropriation levels and do not require an amendment.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.