

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB1554

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: McClellan

3. Committee: General Laws

4. Title: **Virginia Public Procurement Act; small, women-, or minority-owned businesses**

5. Summary: This bill requires the Department of General Services (DGS), in conjunction with the Department of Minority Business Enterprise (DMBE), to develop a program that insures that at least 15 percent of state procurement contracts are awarded to small, women-, and minority-owned (SWaM) businesses located in historically underutilized business zones (HUB Zone) that meet certain requirements. The bill defines HUB Zone.

6. Fiscal Impact Estimates: Preliminary. See Item 8.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2009	\$590,000	1	GF
2010	\$90,000	1	GF
2011	\$0	0	N/A
2012	\$0	0	N/A
2013	\$0	0	N/A
2014	\$0	0	N/A

7. Budget Amendment Necessary: Yes. Item 80, HB 30.

8. Fiscal Implications: This bill mandates that at least 15 percent of state procurement contracts be awarded to DMBE certified SWaM businesses located in HUB zones. This creates a procurement preference and may result in reduced competition and increased costs. If the costs for goods and services of the mandated 15 percent of purchases increases by one percent due to reduced competition, the result could be an annual increase of \$7.5 million based on the \$5 billion in annual spend by state agencies, institutions, and departments of the Commonwealth.

*($\$5 \text{ billion} \times 15\% \times 1\% = \7.5 million)

DGS will incur initial expenses to upgrade the electronic procurement system (eVA). The initial estimate on the cost to upgrade the eVA system is \$500,000. The agency also estimates a need for one position to gather data on HUB Zones, implement and coordinate the program, conduct training, and manage the program (for at least two fiscal years). The

agency estimates the cost of this will be \$90,000 annually. Since DGS cannot absorb this cost, a budget amendment is needed.

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

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/30/2008 dpb

Document: G:\AFG\2008 Session\FIS\HB1554.Doc AFG