

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2121

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

2. Patron: Nichols

3. Committee: General Laws

4. Title: **Public Procurement Act; verification of legal presence.**

5. Summary: Requires all public contractors and their subcontractors to register and participate in a federal Electronic Work Verification Program or similar electronic verification of work authorization program to determine that their employees and individual independent contractors are legally eligible for employment in the United States. Contractors and subcontractors are required to verify the employment status of their employees and independent contractors, and are prohibited from employing or contracting with an individual who is determined not to be legally eligible for employment in the United States as determined through the verification of the individual's status. Contractors who do not register and participate in the registration program are ineligible for prequalification. The measure becomes effective on July 1, 2010.

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	45,000	1	General Fund
2010	90,000	1	General Fund
2011	90,000	1	General Fund
2012	90,000	1	General Fund
2013	90,000	1	General Fund
2014	90,000	1	General Fund
2015	90,000	1	General Fund

7. Budget Amendment Necessary: Yes, Item 80.

8. Fiscal Implications: This bill requires all contractors doing business with the Commonwealth to register and utilize the e-Verify system. It is not know how many of the currently registered e-Verify employers can provide the goods and services needed by the Commonwealth.

The Department of Homeland Security does not currently provide a searchable database of employers that are registered and actively utilizing the e-Verify system. As a result, the Department of General Services (DGS) would need to establish and maintain a listing accessible by all public bodies to confirm participation and enforce the penalties associated

with this bill. DGS anticipates the need for additional funding and one position to administer this system. Administering the system would entail adding and deleting companies to the database to keep it updated, assisting public bodies with usage of the database, performing research on contractors and subcontractors, as well as ensuring compliance by contractors and subcontractors. DGS estimates the cost of this will be \$90,000 annually starting in FY 2010; the FY 2009 costs will be needed to startup the system.

Some contractors that currently provide goods and services to the Commonwealth may be reluctant to participate in what is designed to be a voluntary system and opt to stop providing goods and services to the public bodies of the Commonwealth. Competition, or lack thereof, may result in an indeterminate amount of increased costs. If the cost for goods and services increases by one percent due to reduced competition, the result would be an annual increase of \$50 million for state agencies based on \$5 billion in annual spending by state agencies, institutions and departments of the Commonwealth. Local governments may experience a similar percentage increase and increase in costs as a result of reduced competition. Local government spending is also approximately \$5 billion annually.

9. Specific Agency or Political Subdivisions Affected: All public bodies of the Commonwealth.

10. Technical Amendment Necessary: No

11. Other Comments: None.

Date: 1/27/2009 amk

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cc: Secretary of Administration