

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB1279

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-owned, or minority-owned businesses.**

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

6. Fiscal Impact Estimates: See Item 8.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$1,242,000	7	General
2012	\$580,000	7	General
2013	\$580,000	7	General
2014	\$580,000	7	General
2015	\$580,000	7	General
2016	\$580,000	7	General

7. Budget Amendment Necessary: Yes, Items 70 and 78, SB 30.

8. Fiscal Implications: This legislation creates a procurement preference that may result in reduced competition and increased costs. If the costs for goods and services of the mandated fifteen 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.

The electronic procurement system (eVA) administered by the Department of General Services (DGS) must be upgraded to handle the procurement requirement. DGS indicates that the initial estimate on the cost to upgrade the eVA system is \$600,000. Five positions are also necessary to gather data on HUBZones, implement and coordinate the program, conduct training, and manage the program. DGS also states that the five positions will include a: HUBZone Coordinator, Statistician, Account Executive, and two Marketing/Training staff. These positions will be responsible for the program coordination

and implementation; gathering and analyzing data on all purchases; compliance monitoring; marketing of eVA to HUBZone small, women-owned, and minority-owned businesses located in Virginia to include eVA registration and training; consultation and support for agencies and vendors; and developing and running reports as a result of the additional certification status.

The Department of Minority Business Enterprise (DMBE) must implement the HUBZone program and track data in the agency's database system, resulting in a one-time cost. Two positions are required to contact over 25,000 vendors to enter HUB status and additional information into the database, and also to process new applications for HUB certification.

FY 2011:

One-time electronic system (eVA) upgrade = \$602,000
4,300 hrs * \$140 per hour = \$602,000

Programming tasks include:

- Revision of inbound web services to accept automated feed of new certification types
- Revision of outbound web services to provide new certification types to external systems
- Creation of vendor and catalog display
- Requisition and order data capture
- Creation of bidder list and bid display
- Creation of bid and award data capture
- Integration to Ariba Buyer
- Creation of vendor list display
- Change to date structure for order records
- Re-write existing reports for new data structure
- Creation of new reports for the new certification types

One-time DMBE database system upgrade = \$60,000 in personal costs

Tasks include:

- Database reprogramming
- Dashboard preprogramming
- Revision of policies and procedures and changes to agency website

Additional personnel –

HUBZone positions (5) (DGS) = \$450,000

Estimate includes \$90,000 per position for salary, benefits, technology support, and office rent and equipment.

HUBZone data collection/maintenance positions (2) (DMBE) = \$130,000.

Estimate includes \$65,000 per position for salary, benefits, technology support, and office rent and equipment.

\$662,000 upgrades

\$580,000 personnel

\$1,242,000 TOTAL FY 2011

FY 2012-FY2016:

Additional personnel (DGS and DMBE) = \$580,000 annually. See methodology above.

- 9. Specific Agency or Political Subdivisions Affected:** All state agencies **except** Level III (VT, UVA, W&M and VCU) and Level II (RU, VMI, JMU, LU, and ODU) Institutions operating under Management Agreements and Memorandums of Understanding. **These institutions are not subject to the Virginia Public Procurement Act and do not fall under the authority of DGS/ DPS.**

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/9/2010 dpb