

Department of General Services 2010 Fiscal Impact Statement

1. **Bill Number:** SB225

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Barker

3. **Committee:** General Laws and Technology

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

5. **Summary/Purpose:** This bill 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.

6. **Fiscal impact estimates are Preliminary.** See Item 8.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$100,000	1	General
2012	\$100,000	1	General
2013	\$100,000	1	General
2014	\$100,000	1	General
2015	\$100,000	1	General
2016	\$100,000	1	General

7. **Budget amendment necessary:** Yes, Item 70, SB 30

8. **Fiscal implications:** While the legislation mandates that all contractors conducting business with the Commonwealth register and utilize the e-Verify system, some businesses may choose not to register (and forgo business with the Commonwealth). Lack of competition may increase costs for goods and services purchased by state agencies. 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 in costs as a result of reduced competition. Local government also spends approximately \$5 billion annually for goods and services.

The Department of General Services (DGS) must establish and maintain a listing accessible by all public bodies to confirm participation and enforce the penalties associated with this legislation. Costs include an additional position to administer the system. The position would be responsible for updating database records, assisting public bodies with usage of the database, performing research on contractors and subcontractors, as well as ensuring compliance. The agency estimates the cost of this will be \$100,000 annually.

Methodology:

\$90,000 (salary and benefits for one position) + \$10,000 (technology support, office equipment, general overhead) = \$100,000 annual cost

- 9. Specific agency or political subdivisions affected:** All public bodies of the Commonwealth, **except** Level III (VT, UVA, W&M, and VCU) and Level II (RU, VMI, JMU, GMU, LU, and ODU) Institutions operating under Management Agreements and Memorandums of Understanding (these institutions are not subject to the Virginia Public Procurement Act), local governments.

10. Technical amendment necessary: No

11. Other comments: None

Date: 01/25/2010

cc: Secretary of Administration