

Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** SB378

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Puckett

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

4. **Title:** Virginia Public Procurement Act; establishment of Historically Underutilized Business Zones.

5. **Summary/Purpose:** 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 DMBE-certified small businesses located in historically underutilized business zones (HUBZones). The bill defines HUBZone.

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	\$892,000	3	General Fund
2012	\$230,000	3	General Fund
2013	\$230,000	3	General Fund
2014	\$230,000	3	General Fund
2015	\$230,000	3	General Fund
2016	\$230,000	3	General Fund

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 must be upgraded to handle the procurement requirement. The initial estimate on the cost to upgrade the eVA system is \$600,000. One position is also necessary to gather data on HUBZones, implement and coordinate the program, conduct training, and manage the program.

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.

Methodology:

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 endor 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 management position (DGS) = \$100,000

Estimate includes 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.

FY 2011 Total = \$892,000

FY 2012-FY2016:

Additional personnel (DGS and DMBE) = \$230,000 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: 01/25/2010

cc: Secretary of Administration