

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1049

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
 Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Barker, G.**3. Committee:** General Laws and Technology**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 not determined 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. Budget Amendment Necessary: Yes**7. Fiscal Impact Estimates:** Preliminary. See Item 8**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011	\$90,000.00	1	General Fund
2012	\$90,000.00	1	General Fund
2013	\$90,000.00	1	General Fund
2014	\$90,000.00	1	General Fund
2015	\$90,000.00	1	General Fund
2016	\$90,000.00	1	General Fund
2017	\$90,000.00	1	General Fund

8. Fiscal Implications: The bill mandates that all contractors doing business with the Commonwealth register and utilize the e-Verify system. It is not known how many of the registered e-Verify employers are eVA registered vendors that could provide the goods and services needed by the Commonwealth.

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. Lack of competition 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 spend 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 spend is also approximately \$5 billion annually.

The requirement to terminate contracts will result in significant disruption and increased costs to 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 Commonwealth would need to establish and maintain a listing accessible by all public bodies to confirm participation and enforce the penalties associated with this bill. A Commonwealth agency would need to administer this list requiring additional resources and at least one position to administer. Administration of 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. Estimated cost of this will be \$100,000 annually. A budget amendment would be needed for the agency identified to administer this requirement, including the approval of an additional FTE.

- 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.

10. Technical Amendment Necessary: No

11. Other Comments: Identical to SB1288

Date: 1/26/11

Document:

c: Secretary of Administration