

REVISED

**Department of Planning and Budget
2012 Fiscal Impact Statement**

1. Bill Number: HB 263

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

2. Patron: Peace

3. Committee: Militia, Police and Public Safety

4. Title: Virginia Correctional Enterprises

5. Summary:

Under current law, state agencies are required to purchase goods and services produced by inmates in state correctional facilities. The director of the Division of Purchases and Supply of the Department of General Services (DGS) may grant an exemption from the requirement if the item produced by Virginia Correctional Enterprises (VCE) of the Department of Corrections (DOC) does not meet the requirements of the agency or if VCE cannot comply with the order of the agency due to a lack of materials or for any other reason. In many cases, VCE itself will tell an agency it cannot provide the good or service desired or within the timeframe needed by the agency. In such cases, the agency is then free to procure the good or service elsewhere.

The proposed legislation would expand the reasons for exemption to include instances in which an agency could obtain a “substantially equivalent article” at a lower price. Also, it would transfer the exemption authority from the director of the Division of Purchases and Supply (DPS) to the director of DGS, of which DPS is a part.

6. Budget Amendment Necessary: None.

7. Fiscal Impact Estimates: Indeterminate. See Item 8. (These have been revised to address impact to VCE.)

8. Fiscal Implications:

VCE had revenues in excess of \$54 million in FY 2011. Its operations provided jobs to about 1,500 inmates over the course of the year. In addition, it employed about 190 staff. The unit provides goods and services for use in prisons, as well as for other state agencies, local governments, and nonprofit organizations. The goods provided include furniture, shoes, uniforms, eyeglasses, and license plates. Services range from printing to translating books into Braille. In addition to supporting its own operations, revenue from VCE is used

to support overall DOC operations. There is an annual \$1 million appropriation in VCE revenue to be used for general expenditures to operate prisons.

The proposed legislation would provide another basis for exempting state agencies and institutions of higher education from procuring goods and services from VCE. It is not possible to forecast how often state agencies and higher education institutions would seek the new exemption or how DGS would interpret “substantially equivalent.” To the extent that they did, VCE revenue would decrease. If the revenue decreased significantly, DOC would either have to seek additional general fund support to subsidize VCE’s operations, request additional funding to enhance security due to fewer inmates working, or find other activities to keep inmates occupied or learning a skill. However, overall state procurement costs could decrease.

9. Specific Agency or Political Subdivisions Affected: Department of Corrections

10. Technical Amendment Necessary: None.

11. Other Comments: None.

Date: 1/23/2012

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