

## Department of General Services 2013 Fiscal Impact Statement

**1. Bill Number:** SB1170

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

**2. Patron:** Senator Deeds

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

**4. Title:** Virginia Public Procurement Act; resident employment and apprenticeship participation; required contract provisions.

**5. Summary:** Requires all public bodies to include in every contract of more than \$100,000 that involves the performance of work within the Commonwealth provisions requiring the contractor to agree (i) that 51 percent of all positions created in performance of the contract be filled by Virginia residents, (ii) that 35 percent of the total hours worked by apprentices in positions created in performance of the contract be performed by Virginia residents, and (iii) to use the Virginia Employment Commission as the first source of referral for obtaining qualified applicants for any new position. Under the bill, "new position" does not include a position that is filled by a current employee of the contractor or an individual who was previously laid off by the contractor. The required provisions do not apply to any contracts for the procurement of professional services.

**6. Budget Amendment Necessary:** Yes. General funds will be needed to pay for the estimated 5 positions necessary to perform contract administration/compliance.

**7. Fiscal Impact Estimates:** See Item 8 for further details.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	\$450,000	5	General Fund
2015	\$450,000	5	General Fund
2016	\$450,000	5	General Fund
2017	\$450,000	5	General Fund
2018	\$450,000	5	General Fund
2019	\$450,000	5	General Fund

**8. Fiscal Implications:** The Department of General services (DGS) states that, while the full impact of this bill cannot be quantified, it will have a significant cost impact on the Commonwealth. Some specific impacts are:

This bill is a procurement preference that will impact the Virginia workforce and jobs because other states will reciprocate against Virginia harming the economy and tax revenue.

This bill will likely drive up administrative costs to vendors and makes it harder for them to conduct business. Increased vendor costs will likely be passed back to the Commonwealth in the prices of goods and services.

In order to comply with these requirements, DGS will require an additional 5 positions to monitor all the contracts over \$100,000 to ensure vendors are complying with hiring requirements. Costs for the 5 positions, including all overhead, are estimated to be \$450,000.

DGS estimates there are 5,000 procurements over \$100,000 conducted annually. If each procurement results in a contract, each contractor will be required to deliver a compliance report to DGS. If DGS were to spend 2 hours on each report for receipt, review, and evaluation, that totals to 10,000 hours of effort (5,000 contracts x 2hrs). A state position works approximately 1,692 hours annually (after holiday, annual, and sick leaves). To cover the 10,000 hours would require at least 5 FTE procurement professionals ( $10,000 / 1,692 = 5.9$ ). Each position would cost the Commonwealth approximately \$90,000 (includes salary, benefits, information technology support, office space, and overhead costs).

It may be necessary to ensure compliance that field interviews are conducted in much the same way that Davis-Bacon provisions are complied with on Federal contracts. This is a yet to be determined cost.

Prosecution of violations will require support from the Office of the Attorney General (OAG). In that each case will be unique, it cannot be estimated the charges which will be billed to DGS from the OAG.

There will also be an impact on localities. Localities will have to provide notification to DGS of the award of a contract over \$100,000, and to ensure that the reports are reviewed before being provided to DGS.

- 9. Specific Agency or Political Subdivisions Affected:** All public bodies except Level II (RU, VMI, JMU, GMU, LU, and ODU) and Level III (VT, UVA, W&M, and VCU) institutions operating under Memorandums of Understanding and Management Agreements, respectively. These institutions are not subject to the Virginia Public Procurement Act and do not fall under the authority of DGS/DPS. CNU, the Virginia Community College System and its twenty three Community Colleges are subject to the Virginia Public Procurement Act but this bill would not apply to their Capital Outlay procurements per their Memorandums of Understanding. The Level II and Level III Institutions of Higher Education account for a large percentage of the procurement dollars in the Commonwealth.

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** This bill is significantly similar to House Bill 1882.

**Date:** 1/17/13