

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: SB1307

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Wagner, F.W.

3. Committee: General Laws and Technology.

4. Title: Department of Professional and Occupational Regulation; Director; purchase of information technology and telecommunications goods and services.

5. Summary: This bill authorizes the Director, Department of Professional and Occupational Regulation (DPOR), to purchase the information technology and telecommunications goods and services on behalf of the department. Currently, information technology and telecommunications goods and services for the department are required to be procured by the Virginia Information Technologies Agency (VITA).

6. Budget Amendment Necessary: Indeterminate. See #8.

7. Fiscal Impact Estimates: Complete fiscal impact estimates are not available. Preliminary estimates indicate initial one-time costs could exceed \$1.5 million for DPOR. Annual ongoing costs on average (personnel, networking, telecommunications, equipment replacement) are estimated to be approximately \$919,000.

8. Fiscal Implications: This bill increases the administrative responsibilities of DPOR by shifting the responsibility for information technology (IT) and telecommunications procurement and administration from VITA to DPOR.

The total financial impact cannot be precisely quantified at this time without extensive planning and research of the goods and services needs, specifications, and procurement processes. Initial purchase of hardware, software and related services could exceed \$1.5 million. Technology and system requirements have changed substantially since DPOR last managed these functions and start-up and ongoing costs could exceed the amount payable by DPOR under the current VITA contract.

In FY 2012, information technology and telecommunication expenses paid to VITA by DPOR totaled approximately \$1.2 million. As such, this legislation would reduce revenue to VITA by this approximate amount in future years as DPOR would no longer be a customer to VITA. However, VITA's expenses would also be reduced by a corresponding amount as services would no longer be provided.

Infrastructure Operating Costs: The IT services and devices currently used by DPOR are provided and owned by Northrop Grumman. Minimally at start-up, DPOR expects to replace

these assets by purchasing an equivalent number and kind of devices and licenses: 325 desktop or notebook computers, 34 servers, 60 network printers, approximately 8.4 Terabytes of disk storage, 280 telephones, and other equipment such as routers, scanners, switches, cabling, and wiring. In addition, DPOR will need to procure all software utilized by the department, establish back-up and contingency planning offsite services, create a computer room for server operations, install a local and/or wide-area network, establish a help desk function, transfer data and email from Northrop Grumman to DPOR assets, provide physical and logical IT security services, and make any required changes to the department's telephone services.

Staffing Costs: In addition to infrastructure costs, DPOR expects this proposed legislation will require at least four classified positions and more than \$399,000 in related salary and benefits costs. This bill will require DPOR to provide procurement, contract administration, operations, and security services presently provided by VITA and Northrop Grumman.

This proposed legislation could impact current agency operations and the EAGLES licensing system project, which is in its third and final phase. DPOR expects that the start-up of the information technology project and the EAGLES project cannot be done simultaneously. Delays in the EAGLES project could increase the contract costs. Actual fiscal implications are not known.

DPOR will be required to provide all services currently supplied by VITA. These services could include security protections such as logging and correlation of attacks on the Intrusion Detection System. Actual fiscal implications are unknown, but implementing these vital services may increase the project cost.

Revenue: In accordance with the provisions of Section 54.1-113 (Callahan Act), Code of Virginia, licensing fees are established at rates adequate to cover each regulatory program's operating costs and a proportionate share of agency support costs. Current cash and revenue for most boards at DPOR may be insufficient to cover the additional expenses associated with this legislation during the start-up and transition phase.

Cost to Regulants: Fees for most license types are expected to increase to cover the start-up and transition phase costs resulting from this legislation. Actual cost per regulant is unknown. However, it is anticipated that any savings that may result in the out-years from the agency providing its own IT services will not be substantial enough to significantly reduce fees for regulants.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation; Virginia Information Technologies Agency.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/25/13

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