

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: SB1350

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: McWaters

3. Committee: General Laws and Technology

4. Title: Department of Supplier Diversity and Entrepreneurial Advocacy created.

5. Summary: Creates the Department of Supplier Diversity and Entrepreneurial Advocacy by consolidating the powers and duties of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (DMBE). The bill eliminates DBA and DMBE. The bill has a delayed effective date of January 1, 2014, and contains numerous technical amendments to accomplish this consolidation.

6. Budget Amendment Necessary: Yes. Items 86 and 107.

7. Fiscal Impact Estimates are preliminary. See item 8, below.

8. Fiscal Implications: In the introduced budget bill, DBA has an appropriation of \$13.1 million in FY 2014 (\$11.5 million from the general fund and \$1.7 million in nongeneral fund appropriation) and 41.00 FTEs (34.00 from the general fund and seven nongeneral fund). In the introduced budget bill, DMBE has an appropriation of \$2.1 million (\$550,160 from the general fund and \$1.5 million in Commonwealth Transportation Fund (TTF) appropriation) and 28.00 FTEs (27.50 from supported by the TTF, and 0.50 from the general fund).

The fiscal impact of the consolidation of the functions of DBA and DMBE into the newly-created Department of Supplier Diversity and Entrepreneurial Advocacy cannot be quantified at this time. However, it is anticipated that there will be some costs and, potentially, savings associated with the merger. Currently, both DBA and DMBE use a central service bureau for their personnel and benefits services. Additionally, DBA uses a central service bureau for its payroll and accounting services. DBA pays the Department of Human Resources Management (DHRM) for personnel services and the Department of Accounts for payroll services. DMBE also pays DHRM for personnel services, and pays the Department of General Services (DGS) to provide financial services to the agency. Both agencies receive their information technology services from the Virginia Information Technologies Agency. Because these internal service funds are charged on the basis of unitized costs, it is unlikely that additional savings could be achieved in these areas unless the number of units (number of employees) is reduced.

The Directors of both DBA and DMBE are at-will employees, appointed by and serving at the pleasure of the Governor. The salary for the incumbent of each of these positions is approximately \$101,000 (exclusive of benefits). It is anticipated that one of these positions could be eliminated in the creation of the new agency. Additionally, DMBE has a chief deputy position that also serves at-will. All other personnel within both agencies are classified or wage employees. There may be some limited duplication of administrative functions in these positions that could be eliminated, but the use of service bureaus by the agencies will limit this possibility.

In addition to potential, unidentified savings, it is anticipated that there will be costs associated with the consolidation. These include severance costs; at a minimum, the elimination of a filled, agency director position would result in severance costs, as would the elimination of any duplicate administrative functions performed by full-time staff, classified or at-will.

Also, it is anticipated that there will be costs associated with moving and collocating staff. Currently, DMBE leases private office space; DBA is currently located in state-owned space. Costs would include the physical move of furniture and related items, the build out of the space into which DBA and/or DMBE employees will move, and wiring associated with information technology and telecommunication lines. Currently, DMBE pays approximately \$110,000 annually to occupy leased space. The lease does not end until June 2016. In the event this lease is broken, there may be costs or penalties associated with terminating the lease. DBA currently pays DGS approximately \$156,000 annually in rent for its primary office in Richmond, Virginia. Whether there is sufficient space within the DBA's current Richmond location to collocate DBME's employees is unknown.

The bill allows the Governor to transfer appropriations and employees between state agencies to support the changes in organization or responsibility resulting from the provisions of the bill. The provisions of the proposed legislation will not become effective until January 1, 2014.

9. Specific Agency or Political Subdivisions Affected: Departments of Minority Business and Business Assistance.

10. Technical Amendment Necessary: No.

11. Other Comments: HB2087 and SB1134 transfer the Virginia Jobs Investment Program, which is currently managed by DBA, from DBA to the Virginia Economic Development Partnership.

Date: 1/23/13

Document: G:/tmw/2013 Session/Legislation/SB1350.docx