

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB1165

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: Spruill

3. Committee: General Laws

4. Title: Department of Small Business and Supplier Diversity; Department of Minority Business Enterprise.

5. Summary: This bill eliminates the Department of Small Business and Supplier Diversity (DSBSD) and re-creates the Department of Minority Business Enterprise (DMBE) and the Department of Business Assistance (DBA) as those two departments existed prior to January 1, 2014. As such, the bill reassigns the former powers and duties of DSBSD to DMBE and DBA. The bill contains numerous technical amendments.

6. Budget Amendment Necessary: Yes, to Items 65, 101, 118, 120, and 468 of the Introduced Budget Bill (HB30/SB30). A new Item will also need to be created to establish DMBE, as only one Item references DSBSD under the Secretary of Commerce and Trade, which will be converted to DBA. Appropriation Act language will need to be amended in areas throughout the budget to remove references to DSBSD and replace them appropriately with DBA or DMBE. New language will also be required.

7. Fiscal Impact Estimates: Preliminary, see item 8.

8. Fiscal Implications: The proposed legislation eliminates DSBSD and reinstates DMBE and DBA as individual agencies of the Commonwealth. The new agency, DSBSD, has been in effect since January 1, 2014.

The fiscal impact estimates discussed below are preliminary; at this time, the specific dollar amounts of the budget amendments that will be needed to eliminate DSBSD and re-establish DBA and DMBE as separate agencies are unavailable as the implications of the bill are still being analyzed. It is anticipated that budget amendments will be necessary to HB30/SB30. An amendment will be necessary to remove \$1.0 million from the general fund in FY 2015 from the Department of General Services. These funds are included in HB30/SB30 for move costs associated with location of DSBSD to state-owned office space. Amendments will be necessary to reestablish the Virginia Jobs Investment Program (VJIP) under the Department of Business Assistance. HB30/SB30 reflects the split responsibility for the administration of the existing VJIP between the DBA and the Virginia Economic Development Partnership (VEDP), as proposed in separate legislation also under consideration by the 2014 General Assembly. An amendment would be necessary to restore funding for DMBE's agency head, as these funds were captured during the consolidation.

The Introduced Budget Bill (HB30/SB30) includes appropriation authority and establishes a maximum position level for DSBSD. Item 118 includes \$5.9 million from the general fund and \$2.4 million in nongeneral fund appropriation in FY 2015 and FY 2016 for DSBSD. In addition, DSBSD has an authorized position level of 63 (supported with general fund, and nongeneral fund appropriations). As part of the consolidation, two agency heads were no longer needed. As such, the appropriation for DSBSD only includes funding for one agency head; \$69,379 of general fund appropriation and \$69,379 in Commonwealth Transportation Trust Fund (TTF) appropriation in savings was captured as part of the consolidation. In addition, the introduced budget transfers responsibility for the majority of the Virginia Jobs Investment Program (VJIP) from DSBSD to the Virginia Economic Development Partnership (VEDP), contingent upon enactment of legislation during the 2014 Session effectuating the transfer. Under the separate legislation under consideration, the Small Business Jobs Grant Fund would remain with DSBSD and responsibility for the administration and management of the balance of the existing VJIP program would move to VEDP. As a result, \$6.2 million and five positions from the general fund in FY 2015 and FY 2016 were removed from DSBSD and transferred to VEDP and Economic Development Incentive Payments in HB30/SB 30, as introduced and as described below.

The budget for DSBSD also includes adjustments provided to cover central service agency costs and rate changes. As such, \$8,910 from the general fund in FY 2015 and \$21,543 from the general fund in FY 2016 is included. Additionally, \$11,392 from the general fund was removed from the budget as an adjustment related to the costs incurred to support the Shared Services Center. Various nongeneral fund appropriation was also reduced as a result of anticipated decreased revenue streams and predicted expenditure patterns.

HB30/SB30, as introduced, provides for expenses related to the physical space and consolidation of the two former agencies into DSBSD. Item 468 of HB30/SB30 provides up to \$1.0 million in FY 2015 in general fund appropriation to the Department of General Services as reimbursement for the costs incurred to relocate DSBSD from private-leased space to a state-owned facility.

As mentioned above, HB30/SB30, assigns the responsibility for a significant portion of VJIP to VEDP, contingent upon legislation under consideration by the 2014 General Assembly. Accordingly, expenses for salaries, benefits, and operating costs of five project managers required to administer the VJIP grant program are located in Item 120 under VEDP in the amount of \$564,166 from the general fund in FY 2015 and FY 2016. Current law, as well as the proposed legislation, requires that any appropriation provided for VJIP grants be deposited and paid from a special, non-reverting fund in the state treasury, the Virginia Jobs Investment Program Fund. VEDP, established in statute as a political subdivision of the Commonwealth, is not part of the Commonwealth's Accounting and Reporting System. As a result, the general fund appropriation for VJIP grants to eligible businesses, less 10 percent for the Small Business Jobs Grant Fund, is provided under Item 101, Economic Development Incentive Payments, in the amount of \$5.7 million in FY 2015 and FY 2016. As VEDP requires a state agency to serve as fiscal agent to process the grant payments to eligible companies and businesses from the special fund account, the introduced budget also includes

\$65,139 in FY 2015 and FY 2016 from the general fund under Item 65 for the Secretary of Administration's Shared Support Services division for two wage positions to process the grant payments.

This bill will require the appropriation provided in Item 118 for DSBSD to be separated accordingly and shifted back to support the reinstatement of DBA and DMBE. These various amendments will need to be dispersed accordingly between DBA and DMBE. In addition, the proposed bill assigns responsibility of VJIP to DBA. This bill will require that the appropriation provided for VJIP be removed from Items 101 and 120 and allocated under DBA. The \$65,139 in general fund appropriation under Item 65 for the Secretary of Administration's Shared Support Services division will need to be eliminated. Lastly, the \$1.0 million in general fund appropriation in FY 2015 in Item 468 for the reimbursement to the Department of General Services will need to be eliminated.

As part of the establishment of DSBSD, all employees of the former DBA and DMBE are now considered employees of DSBSD. Email addresses, W-9s, health insurance, and other benefits have all transferred to reflect DSBSD. Currently, payroll expenses for DSBSD have been charged to DSBSD.. At this time, it is unclear how this bill may affect the operations of DSBSD, or if costs will be incurred to transfer all employees, forms and other administrative activities back to DBA and DMBE.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Small Business and Supplier Diversity; Department of General Services; Secretary of Commerce and Trade; Secretary of Administration; Department of Human Resource Management; Virginia Information Technologies Agency; Department of Accounts; Department of Planning and Budget.

10. Technical Amendment Necessary: No.

11. Other Comments: None.