

## Department of Planning and Budget 2016 Fiscal Impact Statement

**1. Bill Number:** SB119

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

**2. Patron:** Petersen

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

**4. Title:** Small Business; changes in definition, regulation by U.S. Small Business Administration.

**5. Summary:** This bill changes the definition of small business to require the business, together with affiliates, to meet the small business size standards established by the regulations of the U.S. Small Business Administration. Currently, a small business is required to have 250 or fewer employees or average annual gross receipts of \$10 million or less averaged over the previous three years.

**6. Budget Amendment Necessary:** Yes, to Item 79 of HB30/SB30 for the Department of General Services and Item 261 of HB30/SB30 for the Department of Accounts. See item 8, below.

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

**7a. Expenditure Impact:** Department of General Services (Item 79)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$3.0 million	0	TBD

**Expenditure Impact:** Department of Accounts (Item 261)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$1.2 million	0	TBD

**7b. Revenue Impact:** Indeterminate.

**8. Fiscal Implications:** It is anticipated that this bill will have a fiscal impact on various agencies. According to the Department of General Services, the bill will require enhancements and changes to Commonwealth's statewide electronic procurement system and program known as eVA. The changes to the system, which is maintained by DGS, are required to accommodate the new small business definition and utilization of commodity codes required by the federal definition. The federal classification of a small business varies based upon the commodity provided by said business. Currently, the eVA system does not have this capability; classification of small business is not tied to the type of commodity provided but is based on size (employee count) and gross receipts. To update the system to

accommodate the provisions in this bill, DGS estimates a one-time cost of \$3.0 million for updates, vendor and user training, and outreach efforts. The eVA system is funded by fees charged to vendors and fees charged to state agencies. Current cash balances for eVA are not sufficient to absorb this cost and a budget amendment will be required. The budget amendment can be supported by a nongeneral fund appropriation if a rate increase is adopted. It is unknown if the increased rate would be applied to both vendors and state agencies. Any increase in rate charged to state agencies will impact both general fund and nongeneral fund agencies and may result in the need for appropriation increases for those agencies. At this time, the general fund/nongeneral fund split is unknown. Alternatively, a direct general fund budget amendment of \$3.0 million in FY 2017 could be provided to DGS for the costs associated with this bill.

The Department of Accounts (DOA) also estimates that this bill will require changes to the Commonwealth's accounting system, Cardinal. As with eVA, the Cardinal system classifies a small business based on size and gross receipts, not by commodity. The provisions in this bill will require changes to Cardinal to account for this classification by commodity. DOA estimates a one-time cost of \$1.2 million to implement these changes. Expenses related to Cardinal are charged to a nongeneral fund account supported with revenue from charges to state agencies based on usage. If a nongeneral fund budget amendment is provided to DOA for this bill, other state agencies will be impacted as the cost will be spread to those agencies in the rates assessed for usage. At this time, the general fund/nongeneral fund split is approximately 21 percent general fund or \$252,000. Alternatively, a direct general fund budget amendment of \$1.2 million in FY 2017 could be provided to DOA for the costs associated with this bill.

At this time, the Department of Small Business and Supplier Diversity has not provided information on the potential impact of this bill. It is likely that this bill may result in an expenditure impact on the department for changes to its Small, Women, and Minority-Owned (SWAM) dashboard system, similar to those of DGS and DOA, as well as its SWAM certification workload.

**9. Specific Agency or Political Subdivisions Affected:** Department of Small Business and Supplier Diversity; Department of General Services; Department of Accounts; state agencies.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** HB971 as introduced also concerns the definition of a small business.