

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB 837

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: Bagby

3. Committee: Appropriations

4. Title: First Chance Trust Fund and First Chance Program

5. Summary:

The proposed language would require the Department of Corrections (DOC) to withhold one percent of the total value of a contract from the payment of any contract that exceeds \$5 million annually. The withheld amount would be deposited into the First Chance Trust by Fund, created by the legislation.

The Board of Corrections would administer the Fund by distributing the money in it to:

1. Scholarships, to attend Virginia institutions of higher education, to any students who attend a high school located in a region of the Commonwealth that has a high school dropout rate, poverty rate, or incarceration rate higher than the relevant average in the Commonwealth; and
2. Grants to any private, nonprofit social service organization located in a region of the Commonwealth that has a high school dropout rate, poverty rate, or incarceration rate that is higher than the relevant average in the Commonwealth.

The legislation would allow DOC to waive withholding the one percent for any contract with the prior approval of the Board of Corrections. The legislation would authorize, although not require, other state agencies to withhold one percent of the payment on such large contracts and deposit those amounts into the Fund.

6. Budget Amendment Necessary: None.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications:

DOC has at least four contracts with payments that exceed \$5 million annually: private provision of medical services at 17 correctional facilities, third party administration of inpatient and outpatient medical care, provision of pharmacy services, and operation of the Lawrenceville Correctional Center. The total annual cost of these contracts is approximately \$176 million.

Under the provisions of the proposed legislation, DOC would be required to withhold approximately \$1.76 million from payments due under these contracts. Presumably, the contracts would need to be renegotiated to enable DOC to comply with the legislation. As part of the renegotiation, it is likely that the vendors would want to increase the contracted amount, rather than absorb the one percent deduction in the amounts they would otherwise receive. As a result, the legislation could have an annual fiscal impact on DOC of \$1.76 million.

9. Specific Agency or Political Subdivisions Affected:

Department of Corrections
Other state agencies

10. Technical Amendment Necessary: None.

11. Other Comments: None.