

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2732/2	Introduction Number AB-908	
Description Awarding state and metropolitan sewerage district procurements to minority businesses, woman-owned businesses, and service-disabled veterans businesses and granting rule-making authority		
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Metropolitan Sewerage Commis</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.143 (1) (a)		
Agency/Prepared By COMM/ Landon Williams (608) 267-9382	Authorized Signature Louie Cornelius (608) 266-8629	Date 1/20/2006

Fiscal Estimate Narratives

COMM 1/23/2006

LRB Number	05-2732/2	Introduction Number	AB-908	Estimate Type	Original
Description Awarding state and metropolitan sewerage district procurements to minority businesses, woman-owned businesses, and service-disabled veterans businesses and granting rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

This bill grants service-disabled veteran and woman-owned businesses priority in governmental procurement and establishes procurement goals for both. Under this bill, the state will have a goal of providing 2% of total governmental procurement, with certain exceptions, to service-disabled veterans. Also, the state will have a goal of providing 5% of total governmental procurement, with certain exceptions, to woman-owned businesses.

In addition, this bill increases the state government procurement goal for minority-owned businesses from 5% to 8%, with certain exceptions. Lastly, this bill creates new service-disabled veterans and woman-owned business certifications at the Department, provides guidelines for certification, establishes a provision for the Department to charge a fee for certification, requires the Department to establish a database of certified businesses, and requires the Department to promulgate administrative rules for the administration of these certifications.

Changing state law to include woman-owned and service-disabled veteran certification will substantially increase the Department's certification workload. While the bill enables the Department to charge a fee for costs incurred for performing certifications, it does not provide additional administrative positions. Currently, the Department has 1.0 FTE GPR-funded position dedicated to minority certifications. This position handles all questions associated with the program, performs all site investigations, reviews submitted materials including tax returns, and recommends businesses for certification.

Currently, 1,102 minority-owned businesses are certified by the Department, and the Department certifies, on average, 1,000 (200 new, 800 re-certified), (91% of the total) minority-owned businesses per year. With an estimated 17,924 total eligible minority-owned businesses, this represents an overall certification rate of 6.1%. The total number of eligible woman-owned businesses is estimated at 111,686. If we assume the same certification rate, the Department would certify a total of 6,813 woman-owned businesses, with yearly totals of 1,240 new businesses certified and 4,960 re-certifications. The Department also estimates it will certify 150 service-disabled veteran businesses per year.

The Department estimates it takes an average of approximately 6 hours to perform a new minority-business certification, not including travel time and 3 hours to perform a re-certification. As calculated below, assuming 7,350 eligible minority-owned, woman-owned and service-disabled veteran businesses will apply for certification per year; this would necessitate an additional 11.0 FTE positions to handle the increased workload.

- 1,240 new woman-owned business certifications + 75 new service-disabled veteran = 1,315 new businesses certified per year * 6 hours per certification yields 7,890 hours.
- 4,960 re-certified woman-owned business certifications + 75 re-certified service-disabled veteran = 5,035 re-certified businesses per year * 3 hours per re-certification yields 15,015 hours.
- 7,890 hours of new certifications + 15,015 hours of re-certifications yields 22,995 total hours devoted to certifying woman owned and service-disabled veteran owned businesses per year.
- 22,995 total hours / 2080 hours per FTE per year yields 11.0 new FTE positions needed to handle the increased workload generated by this bill. These costs are detailed below.

In addition, the bill requires the Department to create a database of both service-disabled veteran and woman-owned businesses that contains information on demographic statistics, represented industries, sales volume, growth rates and job creation figures. The Department must also create and make public a list of these certified businesses for use in state and business procurement.

In addition to the 11.0 FTE Economic Development Consultants needed to administer the requirements of this bill, it is likely that the Department will necessitate an additional 2.0 FTE Program Assistants to handle the increased workload given the significant amount of paperwork that is processed with each application for certification.

Economic Development Consultant

Salary: \$41,800
Fringe: \$17,900*
Supplies and Services: \$ 8,000
Overhead: \$ 9,100
One-time Costs: \$ 4,000**
Total: \$80,800
Annualized: \$76,800

* at 42.84% of salary

** includes workspace, computer etc.

11.0 FTE EDC's x \$80,800 = \$888,800 in the first year.

11.0 FTE EDC's x \$76,800 = \$844,800 annualized costs in the second year.

Program Assistant-Conf.

Salary: \$23,400
Fringe: \$10,000*
Supplies and Services: \$ 2,000
Overhead: \$ 5,100
One-time Costs: \$ 4,000**
Total: \$44,500
Annualized: \$40,500

* at 42.84% of salary

** includes workspace, computer etc.

2.0 FTE Program Assistants x \$44,500 = \$89,000 in the first year.

2.0 FTE Program Assistants x \$40,500 = \$81,000 annualized costs in the second year.

If these positions were funded entirely out of program revenues derived from certification fees, assuming the Department performed 6,350 woman-owned and service-disabled veteran certifications per year, the Department would need to charge at least \$137 per certification to handle these personnel costs in the first year. Currently, the Department does not charge for minority certifications, as the Department has 1.0 GPR-funded FTE to handle this workload.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-2732/2		Introduction Number AB-908	
Description Awarding state and metropolitan sewerage district procurements to minority businesses, woman-owned businesses, and service-disabled veterans businesses and granting rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$52,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$723,500	
(FTE Position Changes)		(11.0 FTE)	
State Operations - Other Costs		202,300	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$925,800	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS		925,800	
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS		925,800	
SEG/SEG-S			
TOTAL State Revenues		\$925,800	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$925,800	\$
NET CHANGE IN REVENUE		\$925,800	\$
Agency/Prepared By		Authorized Signature	Date
COMM/ Landon Williams (608) 267-9382		Louie Cornelius (608) 266-8629	1/20/2006