

Office of Regulatory Management  
Economic Review Form

<b>Agency name</b>	Virginia IT Agency (VITA)
<b>Virginia Administrative Code (VAC) Chapter citation(s)</b>	n/a
<b>VAC Chapter title(s)</b>	n/a
<b>Action title</b>	IT Contingent Labor (ITCL) Policy Revision
<b>Date this document prepared</b>	August 1, 2023
<b>Regulatory Stage (including Issuance of Guidance Documents)</b>	Amendment of Guidance Document

**Cost Benefit Analysis**

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

**Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)**

<p>(1) Direct &amp; Indirect Costs &amp; Benefits (Monetized)</p>	<p><i>The IT Contingent Labor (ITCL) Program is managed by the Supply Chain Management division of VITA. The Program provides public bodies access to IT staff augmentation resources as well as fixed-price IT consulting services. VITA holds a contract with a Managed Service Provider, Computer Aid, Inc. (CAI) to deliver these services. Spend under the CAI contract is \$170 million+ annually.</i></p> <p>Direct Costs: N/A</p> <p>Indirect Costs: N/A</p> <p>Direct Benefits: <i>The Governor’s Office recently hired Boston Consulting Group to identify cost-savings opportunities. There was in-depth analysis of the ITCL program. The cost-savings opportunity that was identified centered around agencies’ behaviors of utilizing the exception job category and named resources more than is the intended use of the program. While there are legitimate business needs for exceptions and named resources, these should be rare. Currently, exceptions constitute 20% of CAI spend. Instituting policy to limit the use of exceptions may significantly reduce spend by \$6.6 million per year.</i></p> <p>Indirect Benefits: <i>Utilization of fewer “named” resources will allow for more competitive opportunities for suppliers, and that is expected to increase access to COVA business for small businesses.</i></p>	
<p>(2) Present Monetized Values</p>	<p>Direct &amp; Indirect Costs</p> <p>(a)</p>	<p>Direct &amp; Indirect Benefits</p> <p>(b) \$6.6M annually</p>
<p>(3) Net Monetized Benefit</p>	<p><i>\$6.6 million annually in savings, as detailed above.</i></p>	
<p>(4) Other Costs &amp; Benefits (Non-Monetized)</p>	<p>Reduction in regulatory requirements as described below</p>	
<p>(5) Information Sources</p>	<p><i>ITCL Analysis, 07/31/23 (prepared by BCG)</i></p>	

**Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)**

<p>(1) Direct &amp; Indirect Costs &amp; Benefits (Monetized)</p>	<p><i>With no policy revision, agencies will likely continue with their current behavior.</i></p> <p>Direct Costs: N/A</p> <p>Indirect Costs: N/A</p>	
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	Direct Benefits: N/A	
	Indirect Benefits: N/A	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit	<i>Zero. If current behavior continues, no savings will be realized.</i>	
(4) Other Costs & Benefits (Non-Monetized)	<i>If current behavior continues, competition will not increase.</i>	
(5) Information Sources		

**Table 1c: Costs and Benefits under Alternative Approach(es)**

(1) Direct & Indirect Costs & Benefits (Monetized)	<p><i>One alternative to requiring agency head approval for rate exceptions and named resources would be to prohibit agencies from engaging in one or both behaviors.</i></p> <p>Direct Costs: N/A</p> <p>Indirect Costs: N/A</p> <p>Direct Benefits: <i>A prohibition on exceptions would presumably realize most of estimated cost savings at the cost of loss of meeting business needs.</i></p> <p>Indirect Benefits: N/A</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		

(4) Other Costs & Benefits (Non-Monetized)	<p><i>A prohibition on named resources and exceptions would reduce the scope of what agencies can obtain through the ITCL program and the flexibility that agencies have in using the program, cause agencies to spend more time on procurement, and thereby reduce efficiencies realized through the ITCL program.</i></p> <p><i>Versus the proposed approach, a prohibition on named resources would result in the same or greater increased competition.</i></p>
(5) Information Sources	

**Impact on Local Partners**

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

**Table 2: Impact on Local Partners**

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: N/A</p> <p>Indirect Costs: N/A</p> <p>Direct Benefits: <i>As with other VITA contracts, local public bodies are eligible to use the ITCL program. Savings estimated above are based on state spend under the ITCL program.</i></p> <p>Indirect Benefits: N/A</p>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)	<p><i>The proposed change would not be applicable to local public bodies.</i></p>	
(4) Assistance		
(5) Information Sources		

**Impacts on Families**

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

**Table 3: Impact on Families**

(1) Direct & Indirect Costs & Benefits (Monetized)	<i>N/A. Families do not use the ITCL program.</i>	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)		
(4) Information Sources		

**Impacts on Small Businesses**

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

**Table 4: Impact on Small Businesses**

(1) Direct & Indirect Costs & Benefits (Monetized)	<p>Direct Costs: N/A</p> <p>Indirect Costs: N/A</p> <p>Direct Benefits: N/A</p> <p>Indirect Benefits:</p> <p><i>The revised policy requires more scrutiny (through agency head approval) of named resources which should result in fewer named engagements. Therefore, more competitive opportunities should become available, which benefits small businesses.</i></p>
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(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)		
(4) Alternatives		
(5) Information Sources		

**Changes to Number of Regulatory Requirements**

**Table 5: Regulatory Reduction**

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

*Change in Regulatory Requirements*

<b>VAC Section(s) Involved</b>	<b>Initial Count</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Net Change</b>
N/A. This is a guidance document amendment.	Original (7/31/2023 baseline) requirements count: 237 discretionary, 3 mandatory	2 mandatory	199 discretionary	+2 mandatory -199 discretionary <hr/> -197 total

This amendment specifies that agency head approval is required for use of non-standard titles, rate exceptions, and named resources in the ITCL program. Internal agency approval processes vary, and whether this is a new requirement will depend on each agency, so that change potentially adds 1-3 requirements. The amendment also edits various text, changing the requirements count. The significant reduction in requirements is attributable to the amendment eliminating two incorporations of documents by reference, one of which is no longer referenced at all and the other of which is now referenced only in a conditional and recommended way.

*Cost Reductions or Increases (if applicable)*

<b>VAC Section(s) Involved</b>	<b>Description of Regulatory Requirement</b>	<b>Initial Cost</b>	<b>New Cost</b>	<b>Overall Cost Savings/Increases</b>
N/A. This is a guidance document amendment.				As detailed above, the policy change here is expected to result in up to \$6.7 million in savings annually, based on BCG analysis.

*Other Decreases or Increases in Regulatory Stringency (if applicable)*

<b>VAC Section(s) Involved</b>	<b>Description of Regulatory Change</b>	<b>Overview of How It Reduces or Increases Regulatory Burden</b>

*Length of Guidance Documents (only applicable if guidance document is being revised)*

<b>Title of Guidance Document</b>	<b>Original Length</b>	<b>New Length</b>	<b>Net Change in Length</b>
ITCL Policy	13 pages	13 pages	no change