

## FULL BENEFIT COST ANALYSIS

**To:** Eric Godwin, Director, Office of Regulatory Reform

**From:** Dorinda Keene, Assistant Administrator – MBE, Dept. of Administration, Office of Diversity, Equity and Opportunity, MBE Compliance Office

**Date:** March 1, 2019

**Re:** Veteran Business Enterprise (VBE) program

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For your review and in accordance with Executive Order 1507, we provide you with this cost benefit analysis of our proposed regulations entitled *Veteran Business Enterprise*. As detailed herein, we believe the adoption and execution of these Regulations will result in a net benefit to the citizens of Rhode Island, the taxpayers of Rhode Island, local small businesses, and the State as a purchaser of goods and services.

By adopting these Regulations, the State anticipates a reduction in the underutilization of small business enterprises owned and controlled by economically disadvantaged veterans (“VBEs”). The societal benefits associated with creating opportunities for small businesses that may have otherwise been lost as a result of underutilization are significant. While it is challenging to assign a dollar value to these benefits, it is important to recognize their positive impact on society.

From a monetary point of view, these Regulations will save taxpayer money. Over time, the taxpayers of Rhode Island will receive a benefit as the cost to the State for purchasing goods and services will decrease. The rationale for the decreased costs being that the vendor pool, especially the subcontracting pool, will increase as more opportunities are given to small businesses owned and controlled by economically disadvantaged veterans. This will create more pricing competition among vendors and subcontractors, and as a result, the State will receive greater value when purchasing goods and services.

One of the costs associated with these Regulations is the administrative cost to the State to implement a certification program and to track agency procurements and the utilization rate of VBEs. The State will also incur the cost of ensuring compliance which entails the collection and review of substantiating documentation.

The other recognizable costs of these Regulations are the administrative costs incurred by businesses applying for VBE certification, as well as the administrative costs incurred by businesses that seek to provide goods and services to the State. As an initial matter, it is important to note that businesses will not be required to obtain any licenses or permits, nor will they be required to pay any fees or taxes as a result of these Regulations. Alternatively, the costs will be minimal administrative costs that will only apply to the businesses that choose

to apply for VBE certification and/or the businesses that chose to respond to a State issued solicitation for goods and/or services. The administrative costs to the small businesses will be the cost of tracking its utilization of small businesses owned and controlled by economically disadvantaged veterans and the cost of submitting substantiating documentation to the State.

Both the State's administrative costs and the business costs are necessary to verify the eligibility of applicants for certification and to track the utilization of small businesses owned and controlled by economically disadvantaged veterans. Removal of these requirements will result in unsubstantiated data and may result in the State's reliance on inaccurate data. Relying on inaccurate utilization data may result in discrimination never being uncovered and could have significant legal consequences for the State.

In conclusion, the societal benefits and economic benefits to the State outweigh the costs associated with these Regulations. In addition, any business that incurs the minimal costs associated with these Regulations will incur them by choice. Accordingly, we believe there is a significant net benefit to the State in adopting these Regulations.