LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

March 28, 2003

TO: Honorable David Swinford, Chair, House Committee on Government Reform

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB906** by Gallego (Relating to the human resources staff and functions of state agencies.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB906, Committee Report 1st House, Substituted: a positive impact of $30,776,000 through the biennium ending August 31, 2005.

This bill would implement recommendation GG 11 from the Comptroller's E-Texas Report and would require agencies with 500 or more FTEs to achieve a human resources employee to staff ratio of not more than one human resources employee for every 100 staff members. This bill would require agencies with fewer than 500 but more than 100 FTEs to either adjust the human resources to staff ratio to 1:100 or better, or to participate in outsourcing their human resources function if the Council on Competitive Government (CCG) found such to be cost effective.

The bill would require CCG to determine the cost-effectiveness of outsourcing the human resources functions of agencies that employ 500 or fewer FTEs. If CCG found such to be cost effective, CCG would issue a request for proposals and determine which functions would be subject to the contract and which functions the agencies could perform themselves. Each agency would pay for the contracts out of its human resources budget.

The bill would require agencies with fewer than 500 FTEs but more than 100 FTEs to report to CCG by November 1, 2003 which option they chose. CCG would have to do an initial feasibility study by November 1, 2003. By January 1, 2004, all agencies with 500 FTEs or more would have to comply with the 1:100 or better ratio. Agencies could appeal to the Legislative Budget Board for a waiver from the decision of the CCG.

The bill would take effect September 1, 2003.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$15,388,000
2005	$15,388,000
2006	$15,388,000
2007	$15,388,000
2008	$15,388,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from *GENERAL REVENUE FUND* 1	Probable Savings from *Various General Revenue Dedicated*	Probable Savings from *Federal Funds*	Probable Savings from *Other Funds*
2004	$15,388,000	$2,207,000	$3,943,000	$4,369,000
2005	$15,388,000	$2,207,000	$3,943,000	$4,369,000
2006	$15,388,000	$2,207,000	$3,943,000	$4,369,000
2007	$15,388,000	$2,207,000	$3,943,000	$4,369,000
2008	$15,388,000	$2,207,000	$3,943,000	$4,369,000

Fiscal Year	Change in Number of State Employees from FY 2003
2004	(529.0)
2005	(529.0)
2006	(529.0)
2007	(529.0)
2008	(529.0)

Fiscal Analysis

The Comptroller of Public Accounts estimated that this would be the savings to the funds listed above.

Methodology

The estimate for agencies with 500 FTEs or more assumes a reduction in human resource staffing in each agency to achieve a ratio of at least 1:100. The salary figures used for each of the 19 agencies affected represent the average salaries of the human resource employees in each agency. The estimate includes an adjustment for employee benefits.

Potential savings from CCG outsourcing project cannot be estimated due to lack of reliable data on small agencies' human resources expenses. The CCG could complete its review with existing resources.

Potential savings from agencies with more than 100 but fewer than 500 FTEs choosing either option would depend on future events and cannot be estimated. In addition, these savings are compared to fiscal year 2003 appropriations and may not be realized when compared to the initial general revenue amounts currently being considered by the legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: JK, JO, GO, MS, JM