LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 3, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3005** by Swinford (Relating to state contracts and procurement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3005, As Introduced: a negative impact of ($2,301,000) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	($1,867,000)
2005	($434,000)
2006	$2,866,000
2007	$2,866,000
2008	$2,866,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Savings/ (Cost) from *GR MATCH FOR MEDICAID* 758	Probable Savings/ (Cost) from *FEDERAL FUNDS* 555	Change in Number of State Employees from FY 2003
2004	($3,300,000)	$1,433,000	$1,433,000	(76.5)
2005	($3,300,000)	$2,866,000	$2,866,000	(153.0)
2006	$0	$2,866,000	$2,866,000	(153.0)
2007	$0	$2,866,000	$2,866,000	(153.0)
2008	$0	$2,866,000	$2,866,000	(153.0)

Fiscal Analysis

The bill would amend the Government Code to require the Health and Human Services Commission (HHSC) to contract with a single statewide transportation broker, or with an appropriate number of regional transportation brokers, for administrative assistance in providing transportation services under the medical transportation program. The bill would provide guidelines and requirements for establishing all necessary contracts under the provisions of the bill. The bill would allow the broker or brokers selected by the commission to contract with transportation providers as necessary to provide transportation services to persons eligible for those services. The bill would partially implement recommendation HHS 3, "Consolidate Health and Human Service Agencies to Reduce Cost and Improve Service Delivery" from the Comptroller's e-Texas report, "Limited Government, Unlimited Opportunity".

The bill would require the Department of Information Resources (DIR) to create a program that automatically generates letterhead for a state agency on an agency computer.

The bill would allow the Building and Procurement Commission (TBPC) to impose a fee to public junior colleges or school districts for the use of state travel services. The fee would be deposited into a newly created General Revenue dedicated account - Public Education Travel Account. Funds in the account could be appropriated only for operating the travel program. Because the legislation would create a dedicated account in the General Revenue Fund, the account included in this bill would be subject to funds consolidation review by the current legislature.

The bill would amend the Transportation Code to require the Texas Department of Transportation (TxDOT) to work with the consulting engineering design community to improve its consultant selection process and with other states to reduce administrative costs; increase the number of highway maintenance projects open to private competition and to contract with private contractors when a business would be capable of performing better maintenance; and create a pilot project that would expire December 31, 2005, to outsource highway maintenance to private businesses. The bill would establish guidelines and requirements for the pilot program.

The bill would allow TxDOT to use a reverse auction procedure and would require TxDOT and the TBPC to implement a just-in-time-inventory pilot program for the purchase of office and janitorial supplies that would expire December 31, 2005. The bill would establish guidelines and requirements for the pilot program. The bill would require TxDOT to create a supply chain management group to lead the application of "best practices" in logistics and materials management and would establish guidelines, responsibilities, duties, and requirements for the management group. The bill would require TxDOT to collaborate with private sector logistics organizations to provide training to TxDOT purchasing and warehouse managers; to evaluate and determine how to maximize its warehouse space; and to consider leasing or converting unused space for other uses.

The bill would require TxDOT to renegotiate a contract for signs with Texas Department of Criminal Justice to reduce the sign inventory and the number of days for sign delivery.

The bill would require TxDOT to request information from vendors about leasing any of the state's U.S. highway rest areas. This would implement the Comptroller’s Issue T-15 in “Smaller, Smarter, Faster Government.” The bill would also require TxDOT to establish pre-qualification criteria; evaluate the quality of work of bidders; develop an index to tier bidders; and implement warranties in a sample of new construction contracts and to determine warranty length.

The bill would take effect September 1, 2003.

Methodology

This analysis is based on the analyses provided by TBPC, the Comptroller of Public Accounts, DIR, HHSC, TxDOT, TDCJ, and the Texas Education Agency.

Concerning the requirement for HHSC to contract with a single statewide transportation broker, it is assumed that HHSC would implement a contractual arrangement with a transportation broker on behalf of the TxDOT for the Medical Transportation Program, which serves Medicaid clients, no later than March 1, 2004. It is estimated a contractual arrangement with a transportation broker would result in a Full-time Equivalents (FTE) reduction totaling 76.5 in fiscal year 2004, and 153.0 in each subsequent fiscal year; that a cost savings of approximately $1.4 million in both Federal Funds and General Revenue would be realized in fiscal year 2004; and that this amount would increase to approximately $2.8 million in both Federal Funds and General Revenue during each subsequent year.

The Comptroller estimates that reducing TxDOT’s supply of road signs would result in a $3.3 million revenue loss to the General Revenue Fund for signs not being produced by TDCJ during fiscal years 2004 and 2005, which would result in a $3.3 million cost savings for the same years in the State Highway Fund. No significant fiscal implication to the State Highway Fund is anticipated from the renegotiation of sign contracts with TDCJ, establishing a reverse auction process, or implementing pilot programs because it is assumed that any cost savings realized would be used for other transportation related purposes. Similarly, TxDOT anticipates that costs would be realized for supply chain management training and that costs would increase for warranted projects; however, it is assumed these costs could be absorbed using existing resources.

No significant fiscal implication to the state is anticipated concerning the duties and responsibilities for DIR and TBPC associated with implementing the provisions of the bill because it is assumed that these could be accomplished using existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Public community colleges and school districts may realize some savings as a result of their participation in the air and travel agency contracts; however, each public community college or school district's cost savings would depend on the amount of business travel conducted.

Source Agencies: 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice, 701 Central Education Agency

LBB Staff: JK, JO, GO, MW, RG, PP, RT