

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 1, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3046 by Cook, Robby (Relating to the state purchasing powers and duties of the Texas Building and Procurement Commission, including transferring certain functions from the attorney general and state auditor to the commission.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3046, As Introduced: a positive impact of \$104,545 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	\$51,500
2005	\$53,045
2006	\$54,636
2007	\$60,000
2008	\$60,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from GENERAL REVENUE FUND 1
2004	\$51,500
2005	\$53,045
2006	\$54,636
2007	\$60,000
2008	\$60,000

The bill would amend Chapters 2155, 2157 and 2262 of the Government Code and repeal Section 51.9335 of the Education Code to modify the purchasing powers and duties of the Texas Building and Procurement Commission (TBPC), including the transfer of duties from the Office of the Attorney General (OAG) and the State Auditor's Office (SAO) to TBPC.

The bill would allow TBPC to collect rebates from vendors under a contract listed on the multiple award contract schedule.

The bill would modify the catalogue purchasing process to remove the requirement that the vendor apply and be designated by TBPC as a qualified information system vendor.

The bill would amend various sections of Government Code Chapter 2262 to transfer responsibilities

and all appropriated funds related to statewide contract management from the SAO and OAG to TBPC no later than February 1, 2004.

The bill would remove statutory delegation of certain purchasing authority from instructional departments of institutions of higher education or similar activities of other state agencies, the Veteran's Land Board, health and human services agencies, and from state agencies acquiring goods and services in support of their health care programs.

Fiscal Analysis

The multiple award contract schedule is a listing of contracts that previously have been awarded using a competitive process by the federal government or another governmental entity in the state. According to TBPC, under these contracts, vendors pay "industrial fees," that, if TBPC were authorized to collect, would generate \$51,500, \$53,045 and \$54,636 in FY 2004, 2005 and 2006, respectively and \$60,000 each year in fiscal year 2007-08 to the General Revenue.

The bill would transfer responsibilities related to statewide contract management as well as appropriated funds to TBPC.

The consolidation of purchasing would increase the workload of TBPC, but it would decrease the workload of other agencies. The total volume of purchases, the dollar volume, and the goods and services consolidated would determine the degree of efficiency that could be realized as well as potential improved pricing.

The bill would require institutions of higher learning to comply with the procurement rules and regulations of the Building and Procurement Commission (TBPC). Currently, those institutions receive discounts offered to higher education by purchasing through groups, cooperatives and consortiums that are not offered to non-higher education agencies. In order for those discounts to continue, TBPC would have to contract with vendors to continue to provide discounts to higher education; the bill would place that authority under the purview of the TBPC. Therefore, there would be no significant costs associated with the requirement of institutions of higher education having to go through the TBPC for procurement needs.

Methodology

The Building and Procurement Commission currently has a contract program that requires contractors to submit quarterly sales reports. Based on those reports, contractors are required to pay an industrial fee of 1% of sales. This fee will be reduced to .75% during fiscal year 2003. Reported contractor sales for a six-month period amounted to \$2,417,119. Therefore, at the rate of .75%, the rebate would amount to \$18,128. The commission expects that more contracts will be developed and the rate of purchasing will continue to increase, increasing the estimated eligible rebate to be approximately \$50,000. Additionally, TBPC estimates that the rebate amount will increase at a rate of approximately 3% per year through 6%. Therefore, TBPC expects the 2004 rebate to be approximately \$51,500, the 2005 rebate would be approximately \$53,045 and the FY 2006 rebate would amount to approximately \$54,636. TBPC anticipates that the rebate amount would stabilize for the 2007-08 biennium at approximately \$60,000 per year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 720 The University of Texas System Administration, 783 University of Houston System Administration

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