

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 4, 2007

TO: Honorable Bill Callegari, Chair, House Committee on Government Reform

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB663 by Dukes (Relating to the performance of a private commercial contractor that provides a service of a state agency.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB663, As Introduced: a negative impact of (\$1,257,283) through the biennium ending August 31, 2009.

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

The bill would amend Government Code to require the Council on Competitive Government (CCG) to consider the conclusions of cost-benefit analyses that compare costs and benefits of improving a state agency's performance by developing and implementing a most efficient organization (MEO) model; to implement recommendations of state oversight agencies such as the Legislative Budget Board, the state auditor, and the Sunset Advisory Commission and to implement the recommendations of an agency's governing body intended to improve the agency's provision of service

The bill would require the State Auditor's Office (SAO) to conduct two compliance audits on certain contracts awarded to a private commercial contractor by the CCG. The bill also requires the SAO to do a recovery audit to identify any amounts overpaid or amounts paid for unperformed services.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$498,535)
2009	(\$758,748)
2010	(\$1,430,748)
2011	(\$1,651,548)
2012	(\$1,123,548)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2008	(\$498,535)
2009	(\$758,748)
2010	(\$1,430,748)
2011	(\$1,651,548)
2012	(\$1,123,548)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	3.0
2009	4.0
2010	8.0
2011	9.0
2012	6.0

Fiscal Analysis

The CCG currently has three full-time equivalents and would require at least two additional full-time equivalents and the assistance of professional consultants in order to implement the requirements of the bill, if passed. The CCG assumes that the professional services could be addressed through the Texas Building and Procurement Commission Management, Organization & Business Improvement Services (MOBIS) contract. The CCG also assumes that the CCG staff and MOBIS vendors will assist agencies with performing MEO analysis.

The additional duties and responsibilities of the SAO required by the bill would be proposed in the SAO's annual audit plan for the Legislative Audit Committee approval. The SAO is assuming that only new contracts starting September 1, 2007 would be included and any existing contracts being rebid or renewed September 1, 2007 or later are not included. The SAO also assumes a minimum of five contracts would be subject to the audits during the 2008-09 biennium. The SAO is estimating 500 hours is needed in fiscal year 2008 for the development of basic audit programs, including review and comment by the CCG and select agencies to determine if contract performance was satisfactory. The SAO is also estimating 100 hours would be needed per year to attend meetings and provide support for findings and recommendations in their reports. The SAO also assumes an average contract period of three years to determine timing of the first and second audits.

Methodology

The estimated costs for the CCG to comply with the requirements of the bill would be \$258,535 for fiscal year 2008 and \$249,948 for fiscal year 2009. The fiscal notes assumes the cost of professional services would be approximately \$100,000 per year and includes an increase of one program specialist and one financial analyst with an annual salary of \$56,000 each. Other assumptions include employee benefits and other operating expenses, including travel and equipment in fiscal year 2008 of \$46,535 and employee benefits and other operating expenses, including travel of \$37,948 in fiscal year 2009 in order for the CCG to implement the requirements of the bill.

The estimated cost for the SAO to comply with the requirement of the bill would be \$240,000 for fiscal year 2008 and \$505,800 for fiscal year 2009. This estimate includes SAO's billing rate of \$96 an hour and 2,500 hours to complete the first required audit in fiscal year 2008 and 5,300 hours to complete the second audit required. The bill would require that the second audit be conducted between six and 18 months after the completion of the first audit. It is estimated that the SAO would need one additional FTE in fiscal year 2008 and two FTEs in fiscal year 2009 to complete these audits. This is a conservative estimate if the SAO does the audit in-house. However, costs would be higher if the audits required were contracted out to a private audit firm.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 303 Building and Procurement Commission, 308 State Auditor's Office

LBB Staff: JOB, MN, MS, KY, EP