

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 6, 2009

TO: Honorable Burt R. Solomons, Chair, House Committee on State Affairs

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

IN RE: HB2426 by Gattis (Relating to the creation of the office of inspector general and the appointment of deputy inspector generals at the Health and Human Services Commission, Texas Youth Commission, Texas Department of Criminal Justice, Texas Education Agency, and Texas Department of Transportation; providing penalties.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code by adding Chapter 422, which would create a new state agency, the Office of Inspector General (OIG). The OIG would be responsible for the investigation of fraud, waste, and abuse in the provision or funding of services by or for an agency to which the chapter applies or under a program implemented, administered, or overseen by or for the agency. The agencies affected include the Health and Human Services Commission (HHSC), the Texas Youth Commission (TYC), the Texas Department of Criminal Justice (TDCJ), the Texas Education Agency (TEA), and the Texas Department of Transportation (TxDOT). The new OIG would be granted rulemaking and subpoena authority and would be authorized to employ and commission peace officers.

The OIG would coordinate with the Office of the Attorney General (OAG) and develop a memorandum of understanding concerning processing of all cases; would jointly prepare and submit a semiannual report, and defense of the OIG would be provided by the attorney general.

The bill would provide that the Inspector General shall designate a deputy inspector general for each state agency to which the new chapter applies (listed above). The bill would require the affected agency to provide support staff, facilities, salary and other support to the deputy inspectors general.

In order to facilitate the new OIG, the bill (SEC. 49) would require the transfer from affected agencies to the OIG all personnel, vacant full-time equivalent (FTE) positions, and assets engaged in the performance of or support of agency functions relating to the detection, investigation, and prevention of fraud, waste, and abuse. To implement these provisions of the bill, the General Appropriations Act would need to provide for these transfers. It is assumed that there would be no net increase in expenditures or FTE levels.

The following agencies have provided estimates of the funds and FTEs that would transfer per year: 1) HHSC -\$19.9 million in General Revenue Funds, \$13.4 million in Other Funds, \$28 million in Federal Funds, and 659 FTEs; and 2) TDCJ- \$2.5 million in General Revenue Funds (related to investigations of waste, fraud and abuse). HHSC has noted that the OIG would require development of a cost allocation rate methodology, which could change the ability to match federal funds and to bill other agencies for their services. The methodology would likely require approval by federal funding partners in order to secure matching funds.

TYC and TxDOT did not provide an estimate of the funds currently budgeted for an OIG. TEA does not currently have an OIG, so would not have assets to transfer.

It is assumed that the cost of deputy inspectors general and support staff could be absorbed by the agencies (or the transferred funding could be reduced for such costs). Any potential revenue impact

from expanded enforcement and investigation has not been estimated by the affected agencies and is not included above.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 308 State Auditor's Office, 405 Department of Public Safety, 529 Health and Human Services Commission, 601 Department of Transportation, 694 Youth Commission, 696 Department of Criminal Justice, 701 Central Education Agency

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