

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 2, 2009

TO: Honorable Patrick M. Rose, Chair, House Committee on Human Services

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

IN RE: **HB2974** by Coleman (Relating to personnel, employment, and other human resources functions of the Health and Human Services Commission and health and human services agencies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2974, As Introduced: a negative impact of (\$4,213,279) through the biennium ending August 31, 2011.

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
2010	(\$584,232)
2011	(\$3,629,047)
2012	(\$188,340)
2013	(\$188,340)
2014	(\$188,340)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable (Cost) from Federal Funds 555	Probable Savings from General Revenue Fund 1	Probable Savings from Federal Funds 555
2010	(\$584,232)	(\$215,768)	\$0	\$0
2011	(\$13,268,856)	(\$5,700,938)	\$9,639,809	\$3,560,191
2012	(\$12,763,909)	(\$5,484,533)	\$12,575,569	\$4,644,431
2013	(\$12,763,909)	(\$5,484,533)	\$12,575,569	\$4,644,431
2014	(\$12,763,909)	(\$5,484,533)	\$12,575,569	\$4,644,431

Fiscal Analysis

SECTION 1 would provide the Executive Commissioner of the Health and Human Services Commission (HHSC) with responsibility for personnel, employment policies, and human resources functions at the Commission. The Executive Commissioner would no longer have authority over or responsibility for those policies and functions with respect to the health and human services (HHS) agencies. The commissioners of those agencies would be required to make human resources policy recommendations to the Executive Commissioner, and the Executive Commissioner would be required to adopt rules to implement those recommendations. The bill would also prohibit the Executive Commissioner from contracting with a private entity to perform any human resources functions for the Commission or the health and human services agencies.

SECTIONS 2 – 5 would require the Commissioners of the Department of State Health Services, the Department of Family and Protective Services, the Department of Assistive and Rehabilitative Services, and the Department of Aging and Disability Services, respectively, to prepare rules and the Executive Commissioner to adopt rules regarding personnel standards. The commissioners would each be required to establish a human resources division responsible for personnel, recruiting, hiring, and other functions, and to assist the commissioner in developing related policies and procedures.

The bill would prohibit the Executive Commissioner from entering into or renewing a contract with a private entity for human resources functions on and after September 1, 2009. Human resources functions and related property and records would transfer from HHSC to the HHS agencies on September 1, 2009.

Methodology

The bill would result in a cost savings to HHSC associated with completion of its current human resources contract and additional costs to HHSC and the HHS agencies associated with hiring staff needed to perform their new human resources functions without the benefit of efficiencies gained from consolidation.

HHSC assumes it would complete the terms of its current contract which expires on September 30, 2010 and would not execute an optional one-year extension. This would result in a total savings of \$13,200,000 in All Funds in fiscal year 2011, based on the current negotiated payment. This analysis also estimates an annual All Funds cost avoidance of \$17,220,000 from fiscal years 2012 – 2014, based on the previous base contract amount. The fiscal year 2012 – 2014 savings are based on HHSC's statutory responsibilities for the human resources function for the HHS agencies and an assumption that to satisfy this requirement, HHSC would either continue to contract with a private entity or would use state employees to perform the functions at a comparable cost.

HHSC assumes it would incur transition costs related to the transfer of responsibilities from the contractor to HHSC and the HHS agencies in fiscal year 2010. HHSC assumes it would hire four contractors in fiscal year 2010, at a total cost of \$800,000 All Funds. Additional costs associated with the transfer of data and the need for additional Texas Consolidated Data Center services cannot be determined and are not included in this estimate.

If it is assumed HHSC would terminate its contract prior to expiration, the agency would be subject to early termination penalties which cannot be estimated at this time and are not included in this estimate. In addition, the agency could incur transition costs earlier than anticipated.

HHSC and the HHS agencies would require additional staff to manage the human resources functions previously performed by the contractor, and the HHS agencies would require additional staff to manage functions previously performed by HHSC. This analysis assumes 1 support staff member would be required per 180 agency employees. This calculation is consistent with the number of human resources staff positions eliminated as a result of consolidation to total FTEs employed at the time. Based on this ratio and the number of current non-human resources staff at each agency as provided by HHSC, 296 FTEs would be required beginning in fiscal year 2011. Total staffing costs including benefits and standard operational costs for new employees would be \$18,919,794 in All Funds in fiscal year 2011, and \$18,198,442 in All Funds in fiscal year 2012 and in subsequent years. This analysis assumes \$44,481 per year as the average salary for new human resources specialists.

HHSC assumes it would retain responsibility for information technology support of human resources-related computer systems because it took on these responsibilities prior to contracting with a private entity. HHSC estimates it would incur annual software licensing fees of \$50,000 in All Funds. HHSC indicates it would also require additional staff for application product support functions; these FTEs are already assumed in the total FTEs. HHSC also assumes additional data storage costs could be incurred but are not quantified at this point and are not included in this estimate.

Enterprise support service costs are not included in this estimate because the current model includes costs for the human resource function and it is unclear how the bill would impact those costs. The impact of these costs is assumed to be minimal.

It is assumed HHSC rule making costs can be accomplished within existing resources.

Technology

The Health and Human Services Commission estimates it would incur annual software licensing fees of \$50,000 in All Funds associated with third-party applications transitioning from the contractor.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: JOB, CL, PP, LL