

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 28, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB15 by Otto (Relating to the management and oversight of state contracts, including contracts for information technology commodity items.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB15, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2017.

Activities associated with the contract advisory team would result in a cost of \$450,000 per year starting in fiscal year 2018 due to the delayed effective date of the bill.

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
2016	\$0
2017	\$0
2018	(\$450,000)
2019	(\$450,000)
2020	(\$450,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2015
	1	
2016	\$0	0.0
2017	\$0	0.0
2018	(\$450,000)	5.0
2019	(\$450,000)	5.0
2020	(\$450,000)	5.0

Fiscal Analysis

The bill would amend the Government Code to require state agencies to provide written notice to

the Contract Advisory Team (CAT) at the Comptroller of Public Accounts (CPA) at least 30 days before publication of solicitation documents for high-risk contracts. The team would review initial contract information and documentation to make recommendations to ensure that potential risks related to high-risk contracts have been identified and communicated to the affected agency. If CAT determines that significant risks remain after their review, CAT would provide notice to the Legislative Budget Board, the Governor, and CPA. The CPA and Governor could then recommend cancellation of the contract.

CPA would be required to conduct a study on the implementation of the provisions of the bill. The bill would also require CPA to publish an annual report on the number and dollar value of sole source and emergency purchases made in the previous calendar year.

The bill would amend the Government Code to require agencies to adopt certain procurement related procedures and policies relating to the solicitation, negotiation, approval, management, oversight, and closeout of contracts. The bill would also require each state agency to maintain a comprehensive list that identifies all contracts made with the agency and essential information pertaining to those contracts. Agencies with certain procurement volumes would be required to create a contract administration team to verify contract performance and to maintain agency expertise on contract management and oversight.

The bill would amend the Government Code to allow agencies to use appropriated funds to contract for auditing services in certain circumstances. The bill would also require agencies to periodically audit contracts and contract processes and controls.

The bill would require agencies to make efforts to competitively re-bid contracts at least every four years. The bill would also require state agencies to obtain at least three bids from vendors when using a Department of Information Resources (DIR) multiple award schedule when making purchases in excess of \$50,000.

The requirement that CPA conduct a study on the implementation of the provisions of the bill would take effect September 1, 2015. All other provisions of the bill would take effect September 1, 2017.

Methodology

CPA estimates that the expanded activities and volume of reviews for the contract advisory team (CAT) would require an additional 3 contract specialists and two attorneys starting in fiscal year 2018 for a cost of \$450,000 in General Revenue Funds per year.

For purposes of this fiscal note, it assumed that costs for other activities associated with the bill such as staff training, development and maintenance of a central contract repository, and enhanced contract monitoring would not be significant and could be absorbed by agencies.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office, 323 Teacher Retirement System, 327 Employees Retirement System, 212 Office of Court Administration, Texas Judicial Council, 301 Office of the Governor, 302 Office of the Attorney General, 303 Facilities Commission, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 479 State Office of Risk Management, 529 Health and Human Services Commission, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 733 Texas Tech University, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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