LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 8, 2015

TO: Honorable Gary Elkins, Chair, House Committee on Government Transparency & Operation

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB15, As Introduced: a negative impact of ($3,178,270) through the biennium ending August 31, 2017.

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	($1,616,448)
2017	($1,561,822)
2018	($1,769,810)
2019	($1,977,798)
2020	($2,185,786)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2015
2016	($1,616,448)	14.0
2017	($1,561,822)	17.0
2018	($1,769,810)	19.0
2019	($1,977,798)	22.0
2020	($2,185,786)	25.0

Fiscal Analysis

The bill would repeal and amend portions of the Government Code to replace the interagency Contract Advisory Team with a contract management team at the Legislative Budget Board (LBB) to review high risk contracts and solicitations. The team would review contracts with a value of at least $10 million as well as contracts below this threshold that meet certain high risk factors. State agencies and institutions of higher education would be required to provide written notice to the team at least 30 days before publication of the solicitation documents for high risk contracts. Additionally, state agencies and institutions of higher education would be required to receive approval from the team before spending money (1) under an executed high-risk contract; and (2) to make a payment or a series of payments that exceeds half of the high-risk contract value.

The bill would also eliminate the use of multiple award contracts for information technology (IT) related services at the Department of Information Resources (DIR).

Methodology

Based on the number of new contracts currently reported to the LBB that are in excess of $10 million, it is estimated that the contract management team created by the bill would review approximately 100 new contracts each year for contracts with a value over $10 million. It is also estimated that the team would review an additional 175 high risk contracts below this monetary threshold. The volume of contract reviews would be dependent on the criteria developed by the team, and therefore, could be greater or less than this estimate.

After initial review of contracts by the team, it is assumed that a certain number of contracts would be subject to ongoing review past the initial solicitation process. The total number of contracts subject to ongoing monitoring after initial review would increase each year as the team completes reviews of contracts and continues to monitor existing contracts through their completion. As a result, it is estimated that the number of FTEs at the LBB would increase from 14 in fiscal year 2016 to 25 in fiscal year 2020. Some of the work load associated with reviewing contracts could be absorbed by existing staff; new FTEs would include a team manager and a mix of contract specialists, attorneys, and staff with IT expertise. Additionally, the LBB would incur one time expenses in the first year for start-up costs associated with the function.

DIR anticipates a loss of revenue out of appropriated receipts generated from administrative fees charged to customers of DIR's cooperative contracts program due to the elimination of IT service contracts offered through the program. The agency anticipates that administrative fees would be increased to offset the loss of revenue from purchases for IT services through the program. To the extent administrative fees are not increased, there would likely be a reduction in FTEs at DIR.

It is assumed that any potential workload increase to the CPA for managing IT service contracts previously awarded by DIR could be absorbed within existing resources and/or offset by a reduction in workload associated with the elimination of the Contract Advisory Team.

It is also assumed, based on a sample of state agencies and institutions of higher education, that any workload impacts to other state entities could be absorbed within existing resources.

Local Government Impact

The bill would eliminate the use of multiple award contracts for services at DIR. Local governments currently procure services through these programs. The changes in the bill could result in a fiscal impact for local government entities; the costs would vary depending on the extent of purchasing in each local government.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 303 Facilities Commission, 304 Comptroller of Public Accounts, 313 Department of

Information Resources, 320 Texas Workforce Commission, 405 Department of Public Safety, 450 Department of Savings and Mortgage Lending, 454 Department of Insurance, 529 Health and Human Services Commission, 580 Water Development Board, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 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

LBB Staff: UP, FR, JI, KMc, LCO, JLi, KPe, ER, JN, TL