

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 25, 2015

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB881 by Dukes (Relating to outsourcing a service performed by a health and human services agency to a private commercial contractor.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 2162 of the Government Code by adding Subchapter D requiring each health and human services agency, with the exception of the Health and Human Services Commission (HHSC), to perform a cost analysis comparing the agency's costs of performing a service to the costs of outsourcing the service before awarding, amending, or extending a contract that would reduce state employees by 100 full-time equivalents or would cost \$10.0 million or more. The bill would require certain elements to be included in the analysis, including any services provided by the comptroller, attorney general, or other support agencies, indirect expenses, assumptions and documentation of the cost determination, and recommendations for improving the health and human services agency's performance. The bill would require the agency to provide the analysis to the governor, chairs of the appropriate legislative committees, the Legislative Budget Board, and the state auditor. The bill would subject the cost analysis to audit by the state auditor based on a risk assessment performed by the state auditor. The bill would require the private contractor to pay the costs of an audit. If the auditor identifies amounts overpaid, amounts paid for unperformed services, or unallowable costs, the bill would require the Office of the Attorney General and the health and human services agency to cooperate in taking action to recover amounts owed to the state. In addition, if it is determined that a contractor did not perform satisfactorily under the contract, the bill would require the governing body of the agency to terminate the contract as soon as practicable, and the agency would be required to rebid the contract or to conduct a performance evaluation to design a program to improve and implement delivery of the service.

The Office of the Attorney General and the State Auditor's Office both indicate any additional work resulting from the enactment of the bill could be reasonably absorbed within current resources.

It is assumed that the provisions of the bill related to the health and human services agencies and HHSC can be implemented within existing resources. HHSC has indicated that during fiscal year 2015 it is creating an office of contract management which would conduct similar cost analysis for major contracts.

Local Government Impact

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

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 529 Health and Human Services Commission, 530 Family and Protective Services, Department of, 537 State Health Services, Department of, 538 Assistive and Rehabilitative Services, Department of, 539 Aging and Disability Services, Department of

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