

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 25, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3345** by Elkins (Relating to state contracting and management, and the establishment of a centralized purchasing, vendor management, contract audit and transparency system for state agencies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3345, As Introduced: a negative impact of (\$9,262,000) through the biennium ending August 31, 2017. The bill could also result in a revenue gain to the state but the amount and timing of such revenue is unknown and cannot be determined.

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	(\$4,631,000)
2017	(\$4,631,000)
2018	(\$1,201,000)
2019	(\$1,201,000)
2020	(\$1,201,000)

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	(\$4,631,000)	5.0
2017	(\$4,631,000)	5.0
2018	(\$1,201,000)	5.0
2019	(\$1,201,000)	5.0
2020	(\$1,201,000)	5.0

Fiscal Analysis

The bill would amend the Government Code to require the Comptroller of Public Accounts (CPA) to establish and manage a centralized purchasing, vendor management and contract audit and transparency system. Agencies would be required to use the system for all transactions, auditing, and contract sourcing activities including competitive bidding processes, vendor registration and electronic responses, contract award recommendations, bid tabulations, contract issuance, amendments, change orders, payments and related purchasing activity, vendor performance tracking and analysis, and vendor contract purchase history.

CPA would also be required to adopt a rules for a vendor system maintenance fee.

Methodology

The Comptroller of Public Accounts (CPA) estimates administrative costs of General Revenue Funds of \$431,000 per year to hire five contract specialist to collect the vendor fee and administer the centralized audit system and statewide contracting portal. The agency would also need to provide training on usage of the system and compliance.

The amount and timing of any vendor system maintenance fee revenue is unknown and the fiscal impact from this fee cannot be determined.

Technology

CPA assumes that customization of existing software can meet much of the centralized system functions. However, additional modules, along with associated licensing, would be needed. Modules requiring licensing and/or customization include but are not limited to e-procurements, e-settlements, purchasing, services procurement, procurement and spend analytics, strategic sourcing, and supplier contract management. As such, the CPA estimates an initial technology cost of approximately \$4.2 million per year in General Revenue Funds for the first two fiscal years and then an ongoing cost of \$770,000 per year to create and maintain the centralized audit system and statewide contracting portal.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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, 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

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