

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 11, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB20 by Nelson (Relating to state agency contracting.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB20, As Introduced: a negative impact of (\$19,000,000) 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	(\$10,000,000)
2017	(\$9,000,000)
2018	(\$7,500,000)
2019	(\$7,500,000)
2020	(\$7,500,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2015
2016	(\$10,000,000)	100.0
2017	(\$9,000,000)	100.0
2018	(\$7,500,000)	100.0
2019	(\$7,500,000)	100.0
2020	(\$7,500,000)	100.0

Fiscal Analysis

The bill would require institutions of higher education including public junior colleges to follow procurement rules that apply to state agencies and participate in procurement training offered by the Comptroller of Public Accounts (CPA).

The bill would require agencies to use the vendor performance tracking system maintained by the

CPA to determine whether to award a contract to a vendor reviewed in the system.

The bill would eliminate the use of multiple award contracts for services at the Department of Information Resources (DIR) and CPA and would impose additional restrictions on the use of the schedule by state agencies for commodity purchases with a value of more than \$50,000.

The bill would require state agencies to list contracts and request for proposals on their websites until the contract expires or is completed.

The bill would require agencies comply with certain reporting requirements for each contract with a value exceeding \$1 million, and to comply with certain additional requirements for each contract with a value exceeding \$5 million.

The bill would require each state agency and institution of higher education to establish and maintain a contract management database that identifies each contract made with the entity.

The bill would remove the requirement that the Contract Advisory Team (CAT) make recommendations on agency solicitation and contract documents and expand the team membership from six members to nine, with one additional member each from the Texas Department of Transportation, the Texas Education Agency, and the Texas Commission on Environmental Quality; and require the team to submit a quarterly report to the Legislative Budget Board on the number of solicitation documents and contracts reviewed in the previous quarter.

The bill would require state agencies and institutions of higher education to verify certain contract monitoring information provided by contractors and develop and implement a risk analysis procedure to identify contracts that require enhanced contract and performance monitoring.

Methodology

CPA estimates additional administrative costs of \$2.4 million in General Revenue to hire 10.0 FTEs in the 2016-17 biennium for legal support for new procurements, ensuring compliance with procurement requirements when auditing universities, and providing assistance in preparing new quarterly CAT reports. The CPA would also incur increased costs to reimburse the State Office of Administrative Hearings for additional vendor protests.

In addition to the costs reported by the CPA, both institutions of higher education and state agencies reported costs to implement the provisions of the bill; the estimated costs above reflect an aggregate estimate based on a sample of state entities. A significant portion of reported estimates are associated with higher education and with TxDOT, due to new requirements for higher education to comply with state agency purchasing requirements and the high volume of TxDOT contracts.

Institutions of higher education have indicated that costs associated with implementing provisions of the bill include the hiring of additional procurement/contracting personnel, equipment, system requirements, and training. While institutions report a cost associated with the bill, for purposes of this fiscal note it is assumed that a portion of the costs associated with the activities required by the bill could be absorbed by the institutions.

The Texas Department of Transportation (TxDOT) estimates a cost in the 2016-17 biennium to post 50,000 contracts to its website annually and develop a central contract management data base. This analysis assumes that on-going business costs to maintain this system in fiscal year 2018 and beyond could be absorbed by the agency using existing resources.

DIR estimates there would be a cost associated with implementing provisions of the bill to meet additional contract and performance reporting requirements of the bill. It is anticipated that these cost could be absorbed within existing resources. The agency also 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.

Other agencies reported some costs associated with the implementation of the provisions of the bill, including the verification of contract monitoring information provided by contractors, developing and implementing a risk analysis procedure to identify contracts that require enhanced contract and performance monitoring, and the additional reporting requirements established in the bill. While agencies generally reported that costs for these activities could be absorbed using existing resources, it is assumed that certain agencies would incur cost as a result of the provisions of the bill.

Local Government Impact

The provisions of the bill would remove the exemption for community colleges for certain contracting and purchasing requirements. Implementing and adhering to the new contracting and purchasing requirements included in the bill could result in a fiscal impact for community college districts; however, the cost would vary depending on the community college district.

The bill would eliminate the use of multiple award contracts for services at DIR and CPA. 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

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