

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 1, 2015**

**TO:** Honorable Kevin Eltife, Chair, Senate Committee on Business & Commerce

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB543 by Zaffirini ( Relating to certain requirements applicable to contracts entered into by, and the contract management process of, state agencies.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB543, Committee Report 1st House, Substituted: a negative impact of (\$14,375,246) 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	(\$7,187,623)
2017	(\$7,187,623)
2018	(\$7,187,623)
2019	(\$7,187,623)
2020	(\$7,187,623)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Federal Funds 555	Probable Revenue Gain/(Loss) from Federal Funds 555	Change in Number of State Employees from FY 2015
2016	(\$7,187,623)	(\$312,377)	\$312,377	40.0
2017	(\$7,187,623)	(\$312,377)	\$312,377	40.0
2018	(\$7,187,623)	(\$312,377)	\$312,377	40.0
2019	(\$7,187,623)	(\$312,377)	\$312,377	40.0
2020	(\$7,187,623)	(\$312,377)	\$312,377	40.0

**Fiscal Analysis**

The bill would amend the Government Code to require state agencies and institutions of higher

education to modify their internal audit plans to include annual audits of contracts. 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 require agencies to adopt certain procurement related procedures and policies relating to the solicitation, negotiation, approval, management, oversight, and closeout of contracts. Agencies would be required to create a system for agency wide reporting on contractor performance and the monitoring of the status of each contract at the agency.

The bill would 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 require agencies to make efforts to competitively re-bid contracts at least every four years.

The bill would also require the Comptroller of Public Accounts (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 take effect November 1, 2015, but entities would not be required to comply with certain provisions until September 1, 2017.

## **Methodology**

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 changes to internal auditing plans and activities due to new requirements to include an annual audit of agency contracts. Specifically, agencies and institutions of higher education anticipate hiring additional auditors to conduct a limited number of contract audits each year. The Office of the Attorney General reported that the agency would be eligible for a federal match to hire four additional auditors for child support related contracts.

In addition to costs related to audits, CPA estimated additional costs associated with reducing contract terms at CPA to four years or less and various reporting requirements. CPA estimates that 5 FTEs would be required to implement these provisions.

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:** 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, 308 State Auditor's Office, 313 Department of Information Resources, 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, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration

**LBB Staff:** UP, CL, JI, KMc