

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 407** SLS 16RS 1002  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 14, 2016 9:21 AM	<b>Author:</b> MILKOVICH
<b>Dept./Agy.:</b> Joint Legislative Task Force	<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Require publication of state contracts and create task force	

PUBLIC CONTRACTS EN INCREASE GF EX See Note Page 1 of 2

Requires publication of state contracts with certain consultants on the Internet and creates task force to study, review, and make annual assessments of state contracts. (7/1/16)

Present law provides for reporting requirements for the state chief procurement officer, including annual reports. Proposed law provides that information on all contracts, the information contained in the annual report as well as specified additional information shall be published on the division of administration's website for access and ease of use; creates the Contract Services Joint Legislative Task Force to study, review and make assessments on contracts; provides for membership of the task force; provides that the task force is authorized to review all contracts for supplies, materials, services, major repairs, personal, professional, consulting and social services contracts, among others, with an annual amount of \$50,000 or more, in addition to the processes by which these contracts are negotiated, drafted, procured and executed; provides for leadership of the task force, for scheduling the initial meeting and for a quorum; provides that the task force shall not meet more than five calendar days in any fiscal year; and provides for annual reporting to the Senate president, the House Speaker and the governor no later than 60 days before the regular session regarding specific contracts or contract procedures that may require administrative or legislative action. Proposed law is effective July 1, 2016, but the provisions of the subsection regarding the Task Force will sunset on June 30, 2020.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	\$0	\$0	\$0	\$0	\$0	\$0

**EXPENDITURE EXPLANATION**

Proposed law creates the Contract Services Joint Legislative Task Force to study, review and make assessments on all state contracts with an annual cost of \$50,000 or more. Proposed law will result in a significant increase in SGF expenditures, presumably result in a workload increase for the various fiscal staffs of the legislature providing staff support to the task force, and result in an increase in workload for various agency personnel to the extent that those individuals are tasked with preparing reports, responding to requests for information, and compiling documents for use by the Task Force at up to five meetings each year.

Per the FY 15 Office of State Procurement (OSP) Annual Report, which was released in January 2016, OSP approved a total of 2,229 professional, personal and consulting services contracts with a total contract value of approximately \$12.23 billion. The LFO assumes a significant number of the 2,229 contracts approved during FY 15 would have exceeded the \$50,000 threshold and been eligible for the task force to study, review and make assessments of those contracts if proposed law were in effect at that time.

Proposed law requires that OSP collect, compile and publish online additional information about professional, personal and consulting services contracts for which it does not currently have access. Proposed law requires OSP to collect, compile and report in-depth detail on its contractors, requiring at least 15 unique data points for each contract of which 8 are not currently gathered by any state agency (board of directors, ownership by minorities, women, veterans and LA residents, taxpaying compliance, IRS Form 990 compliance, and lobbyist disclosures. These requirements will require extensive changes to the state's contract approval and review process, enhancements to the state's database and IT systems, and impose ongoing administrative efforts for quality control and monitoring. OSP assumes this information on existing contracts will have to be collected from scratch. **The Division of Administration (DOA) reports that provisions of proposed law will create significant expenditure increases (see below) and likely impede the existing contract review and approval process.**

DOA reports that in order to systematize the data collection, compilation and reporting requirements of proposed law, the Office of Technology Services (OTS) will develop an input mechanism to link vendor-submitted biographical information to the master agency table in LaGov, as well as the Secretary of State's website to cross-reference entities' reported legal information, and then in turn to interface such inputs with a searchable output engine integrated with LaTrac (the state's transparency portal). DOA reports these enhancements will require thousands of hours of redirected effort for OTS and reprioritizing activities to further the goal of bringing the required changes

**EXPENDITURE EXPLANATION CONTINUED ON PAGE 2**

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*

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Staff Director

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**CONTINUED EXPLANATION from page one:**

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**EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1**

online by January 1, 2017, although OTS's ability to meet this deadline is questionable and may extend well into 2017. DOA estimates the first-year costs for this endeavor to include: \$200,000 to develop LaGov systems (25% personnel, 75% professional services), \$142,000 to develop LaTrac integrations (100% personnel), \$300,000 to develop the SOS->OTS data feed (75% personnel, 25% professional services), \$179,000 for two OSP T.O. FTE positions to support, maintain and manage vendor profiles (100% personnel) and \$143,000 for operating expenses related to personnel support (IT, printing, etc.). **The total estimated first-year cost is \$964,000. Estimated costs in subsequent fiscal years are approximately \$221,816 (\$178,884 personal services cost associated with 2 T.O. positions for OSP and \$42,932 in ongoing operating expenses).** OSP and OTS are both ancillary agencies, deriving all revenue from IAT payments from agencies and SGR from fees and other sources. The overall estimated revenue sources are 43.1% SGF by IAT, 10.2% SGR direct, 15.9% SGR by IAT, 21.9% Statutory Dedication by IAT and 8.9% Federal Funds by IAT. These estimated expenditures are noted in the expenditure table at the top based on the original source of funding. Appropriation authority associated with the provisions of proposed law was not contemplated in the Enrolled version of the General Appropriations Bill (HB1) as it left the legislature.

DOA reports that proposed law will create additional significant but indeterminable operational impacts for contracting agencies that will be required to gather and compile extensive data from vendors that are unfamiliar with the proposed process and may be unable technologically to maintain their own vendor records without substantial agency assistance.

The proposed meetings of the task force (not to exceed five in a year) are projected to increase legislative expenditures of SGF by an indeterminable amount. Proposed law requires the appointment of eight legislators, four each from the House and Senate. The legislative per diem rate is \$157 and the mileage reimbursement is \$0.54/mile. Proposed law is silent with regard to assigning responsibility to any agency or branch of government for the production and copying of any documents to be reviewed. In general, contracts may be dozens to hundreds of pages in length, and relevant attachments may add hundreds of additional pages. The LFO assumes the responsibility for copying all relevant contracts, addendums and supporting documents would fall on the legislature, creating an indeterminable cost increase based on the number of pages produced each year. Legislative copy service contracts generally require a fixed monthly maintenance fee plus approximately \$0.01 per copy on top of supply expenses (paper, etc.). The LFO assumes any increased workload costs associated with making needed copies will be absorbed by existing staff and resources.

Proposed law will likely result in a workload increase for one or more of the fiscal services (House, Senate or LFO) or division services staff offices. The LFO assumes these costs would be absorbed with existing resources, but to the extent that the duties outlined by the task force may exceed available staff time additional resources and/or staff may be required.

Proposed law with regard to the activities of the Task Force shall be null, void and of no effect on June 30, 2020.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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