

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 132** SLS 20RS 412
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP SEN COMM AMD**
 Sub. Bill For.: **REVISED**

Date: May 7, 2020 12:57 PM **Author:** HENRY, CAMERON
Dept./Agy.: Statewide **Analyst:** Alan M. Boxberger
Subject: Provides for reporting and approval of state contracts

CONTRACTS OR SEE FISC NOTE GF EX See Note Page 1 of 1

Provides for reporting to and approval of all state contracts valued at one hundred twenty-five million dollars or more annually by the Joint Legislative Committee on the Budget. (7/1/20)

Present law provides for the conditions that shall be satisfied prior to the central purchasing agency approving contracts. **Proposed law** provides that, prior to the central purchasing agency approving any contract, or cooperative endeavor agreement subject to review by the central purchasing agency pursuant to an executive order of the governor, with a value greater than or equal to \$125 million annually, the agency shall verify that: the state agency entering into the contract has received approval of the Joint Legislative Committee on the Budget (JLCB) to enter into the contract, and if the request for proposal (RFP) was utilized for a contract with a value greater than or equal to \$125 million annually, the state agency notified the JLCB of the potential cost of such contract prior to the issuance of the RFP, provided that such cost was reasonably anticipated at the time of issuance.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. **Proposed law** applies to any contract or cooperative endeavor agreement (CEA) with a value or anticipated value in excess of \$125 M annually and would require the central purchasing agency to verify that the Joint Legislative Committee on the Budget (JLCB) was notified by the issuing agency of any request for proposal (RFP) to be issued, and that any such contract or CEA with a value greater than or equal to \$125 million annually has received approval of the JLCB before final approval. These reviews are anticipated during the JLCB's regular meeting schedule and most if not all of the existing contracts of this value already receive some level of review by the JLCB before final approval. To the extent that a contract or CEA review cannot be completed during a regularly scheduled JLCB meeting, the JLCB could potentially be required to schedule additional meetings. The legislative member per diem rate is \$161 and the mileage reimbursement rate is \$0.575/mile.

Proposed law could extend the RFP and contract award process by several months. In practice, the JLCB in the recent past has met twice to consider specific contracts requiring approval in **present law**; once to review and discuss the contract and again the following month to approve it. This process could potentially be replicated up to four times with a proposed RFP being reviewed one month and approved the following, and the resultant contract being reviewed in a later month and approved the following. This process could significantly extend the existing RFP and contracting process and result in an indeterminable workload increase as staff will be required attend multiple JLCB meetings as part of the process of awarding these contracts. However, as noted previously, most if not all of the existing contracts of this value already receive JLCB review, so the noted impact is not likely to be significant. The LFO assumes this workload can be absorbed by existing staff and budgetary resources. Workload impacts could affect all means of finance, but are noted as SGF only for simplicity.

NOTE: The Office of State Procurement (OSP) reports there are currently 11 identified contracts or CEAs exceeding the threshold of \$125 million annually. On average, this would result in an average of approximately 2 to 3 reviews and approvals by the JLCB each year (some of this number already require JLCB review and approval - for example Office of Groups Benefits health plans).

NOTE: **Proposed law** is nonspecific as to whether a contract amendment modifying an existing contract in excess of the \$125 million annual threshold would require JLCB approval.

NOTE: OSP reports that the requirement that an RFP's estimated value be publicly reported to the JLCB prior to publication could potentially alter the competitive bid process in uncertain ways, particularly if a proposer uses the anticipated cost as a starting point instead of offering its lowest possible bid. The narrow scope of the contracts impacted by **proposed law** will likely mitigate the number of such potential impacts, but the large value of these contracts could potentially produce a significant fiscal impact.

REVENUE EXPLANATION

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

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director