

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 132** SLS 20RS 412
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2020 9:44 AM	Author: HENRY, CAMERON
Dept./Agy.: Statewide	Analyst: Alan M. Boxberger
Subject: Provides for reporting and approval of state contracts	

CONTRACTS EN SEE FISC NOTE GF EX See Note Page 1 of 2

Provides for reporting to and approval of all state contracts valued at 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 state chief procurement officer or an assistant approving any contract or cooperative endeavor agreement (CEA) with a value greater than or equal to \$25 million annually, the Office of State Procurement shall verify that: the state agency entering into the contract or CEA has received approval of the Joint Legislative Committee on the Budget (JLCB) to do so, and if a request for proposal (RFP) was utilized for a contract with a value greater than or equal to \$25 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. **Proposed law** changes oversight of the fiscal intermediary contract from the House and Senate Health and Welfare Committees to the Joint Legislative Committee on the Budget.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	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	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0
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** would require the state chief procurement officer or an assistant 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 with an anticipated contract cost greater than or equal to \$25 million annually, and that any contract or cooperative endeavor agreement (CEA) with a value greater than or equal to \$25 million annually has received approval of the JLCB before final approval. These contract reviews are anticipated during the JLCB's regular meeting schedule. To the extent that a contract 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 would likely extend the RFP and contract award process by several months for affected contracts. In practice, the JLCB in the recent past has met twice to consider specific contracts requiring approval; 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 to prepare for and attend multiple JLCB meetings as part of the process of awarding these contracts. 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.

Proposed law transfers oversight of the fiscal intermediary contract from the House and Senate committees on Health and Welfare to the Joint Legislative Committee on the Budget.

NOTE: The Office of State Procurement (OSP) reports that there are currently 22 identified contracts and CEAs exceeding the threshold of \$25 million annually in addition to the fiscal intermediary contract (23 total). On average, this would result in

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

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

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p>	<p><u>Dual Referral Rules</u></p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>
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Staff Director

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EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

approximately 5 contracts and/or CEAs to be reviewed and approved by the JLCB each year (some of this number already requires JLCB review and approval - for example Office of Groups Benefits health plans).

NOTE: **Proposed law** is nonspecific as to whether an amendment modifying the terms of a contract or CEA in excess of the \$25 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.

Senate Dual Referral Rules

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

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Staff Director