

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 128** HLS 14RS 96
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 10, 2014 2:58 PM	Author: HAVARD
Dept./Agy.:	Analyst: Travis McIlwain
Subject: LA Privatization Review Act	

PRIVATIZATION OR SEE FISC NOTE GF EX Page 1 of 1
 Establishes the Privatization Review Act

Proposed legislation provides that no state agency shall enter into a privatization contract unless the agency, in consultation with the Division of Administration (DOA), complies with certain requirements. Those requirements include: 1.) preparing a written statement of services proposed to be privatized, 2.) every privatization contract shall contain provisions requiring the contractor to offer available employee positions to qualified classified state employees of the agency at which state employment is terminated due to privatization, 3.) comprehensive written estimate of the costs of state employees providing services including all direct and indirect costs, 4.) after receiving bids, agency shall prepare written analysis of the contract cost, 5.) head of state agency must certify in writing to the legislative auditor and appropriated standing committees of various items relative to the contract. Proposed legislation limits privatization contracts to \$5 M or more and limits lease agreements to \$500,000 or more. Proposed legislation provides for the legislative auditor to review each contract and certificate no later than 30 days after receipt. Proposed legislation provides for a post-privatization review process.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	2014-15	2015-16	2016-17	2017-18	2018-19	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

To the extent state agencies present proposed privatizations and/or leases to the Division of Administration (DOA) and Legislative Auditor, there will be an indeterminable increase in state expenditures. The Legislative Auditor is estimating 300 audit hours per privatization contract reviewed, which equates to approximately \$31,500/review. The legislation limits this process to only those privatization contracts of \$5 million or more and lease agreements of \$500,000 or more. The Legislative Fiscal Office is unable to determine how many privatization contracts will be reviewed as a result of this proposed legislation.

The proposed legislation sets forth an extensive review process by impacted state agencies and the Legislative Auditor for the privatization of state services that have a contract amount of \$5 million or more and lease agreements of \$500,000 or more. This process provides for the state agency to submit all the required information about the proposed privatization effort to the state agency's appropriate standing committee and to the legislative auditor prior to entering into such an agreement.

To the extent these privatization reviews result in additional legislative standing committee meetings, the legislative member per diem rate is \$153 and the mileage reimbursement is \$0.56/mile. This bill provides for legislative standing committee approval prior to entering into the privatization contract and further provides for the full legislature to adopt a concurrent resolution before the agency enters into the privatization contract.

REVENUE EXPLANATION

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

Senate <u>Dual Referral Rules</u> <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	House <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<i>Evan Brasseaux</i> Evan Brasseaux Staff Director
---	--	---