

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 30** HLS 15RS 336
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 1, 2015 12:45 PM	Author: RICHARD
Dept./Agy.: Division of Administration (DOA)	
Subject: Higher Education Financing Fund/Contract Reduction	Analyst: Travis McIlwain

PUBLIC CONTRACTS OR SEE FISC NOTE SD RV Page 1 of 1

Provides for the Joint Legislative Committee on the Budget to review and take action on certain state professional, personal, and consulting service contracts and provides for deposit of certain funding from the contracts into the Higher Education Fund. This legislation provides that for FY 16 through FY 18 all contracts for professional, personal and consulting services with a total dollar value of \$40,000 or more per year that are funded solely with SGF or the Overcollections Fund and are for discretionary purposes shall be reported to the Joint Legislative Committee on the Budget (JLCB) for review and approval. Proposed bill provides that if within 30 days of receipt of the contract, the JLCB does not place the contract on its agenda, the contract shall be deemed to be approved. Proposed bill provides that if the contract is placed on the agenda for review and approval, the JLCB may either approve the contract, reject the contract and notify the commissioner of administration that such funds be deposited into the newly created Higher Education Financing Fund or the JLCB may recommend revisions to the contract. Proposed bill provides for the commissioner to report quarterly each fiscal year as to the amount of monies appropriated for professional, personal and consulting service contracts that remain unexpended and unencumbered as a result of implementing this legislation. Proposed bill exempts contracts with state or local providers of indigent defender services and contracts of a district attorney to perform services under child support. Proposed bill provides for the state chief procurement officer to submit a report at the end of each month to the JLCB summarizing each contract awarded that month. Effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total					\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total				\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed legislation is not anticipated impact to state expenditures. However, the proposed legislation will likely result in a significant increase in the workload of the various legislative fiscal staffs providing staff support to the Joint Legislative Committee on the Budget (JLCB) in FY 16, FY 17 and FY 18. The proposed bill provides for all professional, personal and consulting services contracts with a total value of \$40,000 or more per year funded solely with discretionary SGF or Overcollections Fund be reported to the JLCB for review and approval. The specific process and guidelines to be followed will be determined by the JLCB.

Per the FY 14 OCR Annual Report, which was released in January 2015, OCR approved a total of 1,723 professional, personal and consulting services contracts with a total contract value of approximately \$2 billion. However, according to the DOA, the number of contracts processed in FY 14 funded solely with 100% discretionary SGF was 125 contracts with a total value of \$21.2 million. For **illustrative purposes**, had the proposed legislation been in effect in FY 14 and the JLCB review process resulted in a 15% reduction of the 100% discretionary SGF impacted contracts, the Higher Education Financing Fund would of had approximately \$3.2 million transferred into the fund for higher education expenditures. Note: The \$21.2 million of 100% SGF funded contracts mentioned above does not include partial SGF funded contracts. For example, contracts within some state agencies are likely funded with SGF (state match) and federal funds. To the extent these contracts were included within the example above and the JLCB were to not approve such contracts, the potential amount transferred into the Higher Education Financing Fund would be some amount greater than the \$3.2 million discussed above.

These contract reviews are anticipated during the committee's regular meeting schedule. To the extent the contract reviews cannot be completed during a regularly scheduled JLCB meeting, the JLCB could potentially be required to schedule additional meetings, which is anticipated to increase legislative expenditures. The legislative per diem rate is \$150 and the mileage reimbursement is \$0.58/mile. This legislation provides for various contract exclusions including those contracts with state or local providers of indigent defender services, contracts of a district attorney who is performing services under the child support enforcement program and all contracts that implement programs of DHH. These additional exclusions will result in fewer contracts being reviewed by legislative staff.

Creating a new statutory dedication (Higher Education Financing Fund) within the state treasury will result in a marginal additional workload for the agency, which can be absorbed with existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds.

Per the proposed legislation, the transfer of funds from JLCB rejected professional, personal and consulting services contracts will not actually occur until the end of the fiscal year. Thus, these funds will not be made available for higher education expenditures until the following fiscal year.

REVENUE EXPLANATION

The proposed bill may result in an indeterminable FY 16, FY 17 and FY 18 ending year SGF/Overcollections Fund dedication to the newly created Higher Education Financing Fund. The original source of these funds would be contracts placed on the JLCB agenda and rejected by the committee. The LFO is unable to project how much SGF/Overcollections Fund will be made available for transfer as such amount is dependent upon JLCB action.

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

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