

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 74** HLS 16RS 275
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Division of Administration (DOA) **Analyst:** Alan M. Boxberger
Subject: 15% reduction of specific contract types

PUBLIC CONTRACTS OR DECREASE GF EX See Note Page 1 of 1
 Provides for a 15% reduction of all state professional, personal, and consulting service contracts

Proposed law provides that the total dollar amount for professional, personal, and consulting services contracts under the jurisdiction of the Office of State Procurement (OSP) for FY 17 to be 15% less than the total amount of such contracts in FY 16; requires OSP to submit reports on the implementation of proposed law to the Joint Legislative Committee on the Budget (JLCB); provides that OSP will not approve any contract if such approval would increase the total dollar amount of contracts above the minimum 15% reduction unless the following criteria are met: 1) either no employee of the contracting department is competent and available to perform the services, 2) the services are not available as a product of a prior existing contract, 3) the contracting department has submitted a written plan to monitor and evaluate the performance requirements, 4) it is more cost effective to obtain the proposed services through contract, 5) the commissioner of administration determines that the proposed contract represents a priority expenditure of state government. Proposed law exempts any equivalent contract of the Secretary of State necessary to perform any constitutional or statutory function of the office. Proposed law prohibits a contract awarded to any entity for which an appropriation was enacted through a line item appropriation but was subsequently vetoed by the governor without prior approval of the JLCB. Effective July 1, 2016.

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

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
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law may result in an indeterminable decrease in overall state expenditures in FY 17 and would impose a cap on the total amount of professional, personal, and consulting services contracts approved by the Office of State Procurement (OSP) in FY 17 to be at a minimum 15% less than the total value of such contracts approved in FY 16. Complete and audited FY 16 contract data is not currently available. Pursuant to R.S. 39:1567, OSP is required to complete its annual report from the previous fiscal year in January of the following fiscal year. Based upon current law, the total value and number of professional, personal and consulting contracts for the current year (FY 16) will not be officially reported until January of 2017 in the FY 16 OSP Annual Report.

For **illustrative purposes**, per the FY 15 OSP Annual Report that was released in January 2016, OSP approved 2,229 professional, personal and consulting services contracts for a total contract value of approximately \$12.23 billion. To the extent this bill would have been enacted during the 2015 Regular Legislative Session, the projected 15% reduction in the value of OSP approved professional, personal and consulting services contracts for FY 16 would have equated to a reduction of approximately \$1.28 billion, with a FY 16 contract expenditure award cap of \$10.4 billion. The LFO cannot ascertain the various funding sources that would have been impacted by reducing the level of such contracts. Therefore, it is likely that the \$1.28 billion reduction in approved contracts would have impacted all means of financing, which is reflected in the expenditure table above (note, many contracts are multi-year in nature. The total savings value of the illustrated \$1.28 billion would be spread over three, five, or in some cases potentially more years under existing contract law). Additionally, proposed law identifies criteria for exemptions from the 15% reduction and the conditions under which such exemptions may be applied. **Any approved exemptions could dramatically impact the illustrated reduction. To the extent that any contracts reviewed by OSP during FY 17 are reduced as per proposed law, there will likely be an expenditure reduction impact on the outyears of FY 18 through FY 21 as many state contracts are multi-year. As proposed law only impacts contracts reviewed in FY 17, there is no restriction on the dollar value of contracts that can be approved after review by OSP in any fiscal year after FY 17.**

Proposed law provides that if a professional, personal or consulting services contract that was awarded through a line item appropriation in the General Appropriations Act and subsequently vetoed by the governor, the office of contractual review shall not approve such a contract without prior approval of the (JLCB). R.S. 39:1556 defines professional, personal, and consulting contracts. Proposed law provides that the provisions of the 15% reduction in contracts shall not apply to any professional, personal or consulting service contract of the secretary of state necessary to perform any constitutional or statutory functions of the office. Proposed law provides for the OSP to submit a report to the JLCB summarizing the status of the implementation of proposed law on 10/1/2016, 1/1/2017, 4/1/2017, and 7/1/2017.

REVENUE EXPLANATION

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

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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"/> 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} | |

Evan Brasseaux
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