



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 927** HLS 14RS 1089  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> April 3, 2014	10:11 AM	<b>Author:</b> BURNS, TIM
<b>Dept./Agy.:</b> Division of Administration (DOA)		
<b>Subject:</b> Merger of Office of Contractual Review & State Purchasing		<b>Analyst:</b> Travis McIlwain

PROCUREMENT OR SEE FISC NOTE GF EX Page 1 of 1  
Provides for the merger of the office of contractual review and the office of state purchasing

Proposed legislation creates of the Office of State Procurement within the Division of Administration, which will be a consolidation of the Office of Contractual Review and the Office of State Purchasing. Proposed legislation creates the position of Chief Procurement Officer. Effective January 1, 2015 (FY 15).

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

EXPENDITURE EXPLANATION

The proposed legislation may result in an indeterminable decrease in state expenditures. The exact fiscal impact will ultimately depend on the method by which the DOA structures the merged State Purchasing and Contractual Review offices and the policies and procedures modified as a result of the proposed bill. At this time, the DOA does not anticipate reducing any current staff within these 2 sections to facilitate the consolidation. However, as positions become vacant in the newly created office through attrition (retirements, voluntarily leaving agency), the DOA may reduce these vacant positions. The FY 15 budget reduces 6 vacant TO positions from State Purchasing. Currently, the DOA has an interim director of Contractual Review, a director of State Purchasing and an Assistant Commissioner of Procurement. The LFO is unaware if any of these positions will be eliminated or combined upon enactment of this legislation and/or if any of these individuals will be appointed State Chief Procurement Officer.

In addition, due to this bill consolidating the procedures and processes for procurements regardless of type (professional, personal, social service, consulting, operating services, materials, supplies), another potential impact will likely occur at various state agencies who are currently interacting with 2 DOA sections who will now only have to interact with one. This will likely result in a time savings for various state employees handling contracts and procurement in the various state agencies.

NOTE: The DOA has implemented a business transformation project utilizing Lean Six Sigma methodologies within OCR and OSP. One of the phases associated with this project includes centralization of procurement work throughout the state. In FY 14, some state agencies have transferred their employees whose focus is contracts to work for OCR, which results in those individuals not only doing contract work for their former agency, but also allows them to work on other items within OCR (economies of scale). The DOA contends that as more agencies centralize, there will be an overall reduction in the number of procurement employees required statewide. The DOA estimates the anticipated savings in FY 15 statewide for agencies who have consolidated procurement functions to be approximately \$300,000.

This bill does not impact the DOA planned centralization statewide. This legislation merely combines Chapter 16 (OCR) and Chapter 17 (OSP) into one section within Title 39. However, Section 6(C) of HB 1 (preamble) allows the DOA to process DOA approved in-house BA-7s (do not require Joint Legislative Committee on the Budget approval) that will likely result in state agency reduction of contract and procurement staff and/or transfers of such staff to DOA to work for the newly created State Chief Procurement Officer.

REVENUE EXPLANATION

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

Senate

Dual Referral Rules

House

☐ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

☐ 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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