

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 73** HLS 13RS 428
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 15, 2013 6:01 AM	Author: RICHARD
Dept./Agy.: Division of Administration (DOA)	Analyst: Travis McIlwain
Subject: 10% Contract Reduction	

PUBLIC CONTRACTS EG DECREASE See Note Page 1 of 1
 Provides for a 10% reduction of all state professional, personal, and consulting service contracts

Proposed legislation provides for the total dollar amount for professional, personal, and consulting contracts under the jurisdiction of the office of contractual review (OCR) for FY 14 to be reduced by no less than 10% of the total dollar amount in FY 13. Proposed legislation requires the office of contractual review to submit reports on the status of the implementation of the proposed law to JLCB. In addition, proposed legislation provides that OCR will not approve any contract if such approval would increase the total dollar amount of contracts above the minimum 10% reduction unless the following criteria are met: 1.) either no employee of the contracting department is both 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 to OCR a written plan to monitor and evaluate the performance within the contract, 4.) it is more cost effective to obtain the proposed services through the contract, 5.) the commissioner of administration determines that the proposed contract represents a priority expenditure for Louisiana state government. Effective July 1, 2013.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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 bill could result in an indeterminable decrease in overall state expenditures in FY 14 and would impose a cap on the total amount of professional, personal, and consulting services contracts approved by the Office of Contractual Review (OCR) in FY 14 to be at a minimum 10% less than the total value of contracts approved in FY 13. Complete and audited FY 13 contract data is not currently available. Pursuant to R.S. 39:1489, OCR 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 13) would not be officially reported until January 2014 in the FY 13 OCR Annual Report.

For **illustrative purposes**, per the FY 12 OCR Annual Report, which was released in January 2013, OCR approved 2,284 professional, personal and consulting services contracts for a total contract value of approximately \$5.28 billion. To the extent this bill would have been enacted during the 2012 Regular Legislative Session, the projected 10% reduction in the value of OCR approved professional, personal and consulting services contracts for FY 13 would have equated to approximately \$528 million less, or an FY 13 cap of \$4.752 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 \$528 million reduction in approved contracts would have impacted all means of financing, which is reflected in the expenditure table above. **Note:** The FY 14 Executive Budget reduced professional services expenditures by approximately \$152.9 M from the FY 13 existing operating budget.

The proposed legislation also 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 Joint Legislative Committee on the Budget (JLCB). R.S. 39:1484 defines professional, personal, and consulting contracts.

The proposed bill provides that the provisions of the 10% reduction in contracts shall not apply to the secretary of state's office.

This bill also provides for the OCR to submit a report at the end of each month to the House Appropriations Committee summarizing the contracts awarded that month.

REVENUE EXPLANATION

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

<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) >= \$500,000 Annual Fiscal Cost {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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