PUBLIC CONTRACTS

This bill provides for a 10% reduction of all state professional, personal, and consulting service contracts and provides for deposit of the savings into the Higher Education Financing Fund. The proposed legislation also provides that if a professional, personal or consulting services contract 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 vetoed contract without prior approval of the Joint Legislative Committee on the Budget (JLCB). R.S. 39:1484 defines professional, personal and consulting service contracts that remain unexpended at the end of FY 15. The LFO is unable to project how much unexpended SGF will be made available for transfer based upon current law, the total value and number of professional, personal and consulting contracts for the current year (FY 14) would have equated to approximately $305.8 million less, or an FY 14 cap of $2.752 billion. The proposed bill will result in an indeterminable decrease in overall state expenditures in FY 15 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 15 to be at a minimum 10% less than the total value of contracts approved in FY 14. Complete and audited FY 14 contract data is not currently available. Pursuant to R.S. 39:1489, OCR is required to complete its annual report on 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 14) would not be officially reported until January 2015 in the FY 14 OCR Annual Report.

For illustrative purposes, per the FY 13 OCR Annual Report, which was released in January 2014, OCR approved a total of 2,001 professional, personal and consulting services contracts with total contract value of approximately $3.1 billion. To the extent this bill would have been enacted during the 2013 Regular Legislative Session, the projected 10% reduction in the value of OCR approved professional, personal and consulting services contracts for FY 14 would have equated to approximately $305.8 million less, or an FY 14 cap of $2.752 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 $305.8 million reduction in approved contracts would have impacted all means of financing, which is reflected in the expenditure table above. Thus, the LFO cannot ascertain the specific amount of unexpended SGF that would be available for transfer into the newly created Higher Education Financing Fund.

Note: The FY 15 Executive Budget reduced professional services expenditures by approximately $126.3 M from the FY 14 existing operating budget. The proposed legislation also provides that if a professional, personal or consulting services contract 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 vetoed contract without prior approval of the Joint Legislative Committee on the Budget (JLCB). R.S. 39:1484 defines professional, personal, and consulting contracts. In addition, the proposed bill provides that the provisions of the 10% reduction in contracts shall not apply to the secretary of state's office.

REVENUE EXPLANATION

The proposed bill will result in an indeterminable one time FY 15 ending year SGF dedication to the newly created Higher Education Financing Fund. The original source of such funds would be unexpended SGF appropriations for professional, personal and consulting service contracts at the end of FY 15. The LFO is unable to project of how much unexpended SGF will be made available for transfer based upon the current reports provided by OCR. These reports do not specifically indicate the means of finance utilized to pay the contracts. Also, any appropriations from this fund for Higher Education would likely not occur until FY 16.