

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1797 – SB 1926

February 29, 2016

SUMMARY OF BILL: Requires the Fiscal Review Committee to review and approve by majority vote any contract for services by or for a state governmental entity procured through competitive means in excess of \$1,000,000, and any price or cost adjustment or other amendment to any such contract in excess of the same amount, prior to entering into, renewing, or amending the contract.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$308,200

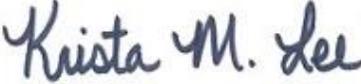
Assumptions:

- Based on information provided by the Department of General Services (DGS), each year for the past three fiscal years, an average of 509 contracts meeting the requirements of this legislation have been awarded by the Central Procurement Office (CPO) and most state agencies that would have to come before the Fiscal Review Committee (FRC) under the provisions of this bill that would not in the absence of the bill.
- CPO indicates that the 509 contracts do not include contracts for Judiciary, the General Assembly, higher education, or the Department of Transportation (TDOT).
- Based on information provided by TDOT, over the last three year period, the department has awarded approximately 130 competitive low bid contracts that were in excess of \$1,000,000. In addition, approximately 40 competitive consultant contracts are executed each year with an initial ceiling in excess of \$1,000,000. These represent TDOT contracts that would have to come before the FRC under the provisions of this bill that would not in the absence of the bill.
- The minimum number of additional contracts from the CPO and TDOT that would come before the FRC is estimated to be 679 (509 + 130 + 40). However, taking into account competitive contracts from the Legislative Branch, the Judiciary Branch, and higher education, that exceed \$1,000,000, the number of additional contracts that would have to come before the FRC is reasonably estimated to exceed 800 per year.
- There were 154 contracts that came before the FRC in 2014 and 115 contracts that came before the FRC in 2015. The average number of contracts that come before the FRC under current law in any given fiscal year is estimated to be 135 $[(154 + 115) / 2]$.
- The average number of FRC meetings in a fiscal year under current law is estimated to be 10.

- The average number of contracts per meeting that comes before the FRC under current law is estimated to be 13.5 (135 / 10).
- FRC contract meetings under current law are estimated to average 3 hours in length; therefore, the FRC can process on average 4.5 contracts per hour (13.5 contracts / 3 hours).
- Requiring a minimum of 800 additional contracts to come before the FRC would represent a 692.6 percent $[(135 + 800) / 135]$ increase in volume of contracts that the FRC would have to act upon.
- It is assumed that FRC meetings will take substantially longer under the provisions of this bill and that additional meetings will be required. It is assumed that to accommodate a 692.6 percent increase in contract volume, the number of FRC meetings will increase by a minimum of 20 meetings, or by at least 300 percent $[(10 \text{ current} + 20 \text{ additional}) / 10 \text{ current}]$. This would require the FRC to act upon an average of 31 contracts $[(135 + 800) / 30 \text{ meetings}]$ per meeting under the provisions of this bill. It is assumed the average meeting time for the FRC will increase from 3.0 hours to 6.9 hours (31 contracts per meeting / 4.5 contracts per hour).
- FRC members will receive additional per diem and travel reimbursement estimated to be \$343.59 (\$204 per diem and \$139.59 mileage) for each meeting.
- It is assumed an average of 17 members will attend each additional meeting.
- The recurring increase in state expenditures relative to FRC member expenses is estimated to exceed \$116,821 (20 additional meetings x \$343.59 x 17 members).
- The Fiscal Review Committee will need at least one additional staff position to handle the additional volume of contracts. The base salary for this additional position is estimated to be \$50,000 per year. The position will require \$67,885 in recurring expenditures $[\$50,000 + (\$50,000 \times 0.1503 \text{ benefits}) + (\$50,000 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}]$.
- The CPO will require one additional Procurement Compliance Specialist position. The base salary for this position is estimated to be \$46,392. The position will require \$63,458 in recurring expenditures $[\$46,392 + (\$46,392 \times 0.1503 \text{ benefits}) + (\$46,392 \times 0.0765 \text{ FICA}) + \$6,544.56 \text{ insurance}]$.
- It is reasonable to presume that additional resources will be required within TDOT, higher education, the Judicial Branch, and the Legislative Branch to accommodate the provisions of this bill. Based on recurring expenditures estimated for the two previous positions, this recurring increase in state expenditures is reasonably estimated to exceed \$60,000.
- To the extent contract implementation is delayed or postponed; there could be additional increases in state expenditures for vendor costs. However, for the purpose of this fiscal note it is assumed that timely action will be taken on all contracts that come before the FRC; therefore, any increased vendor costs are assumed to remain unchanged.
- The total recurring increase in state expenditures is estimated to exceed \$308,164 $(\$116,821 + \$67,885 + \$63,458 + \$60,000)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista M. Lee in cursive script.

Krista M. Lee, Executive Director

/rnc