

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number HB1661

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Lingamfelter

3. Committee General Laws

4. Title Operational and Programmatic review of state agencies

- 5. Summary/Purpose:** Directs the Governor to initiate, within 120 days of taking office, an operational and programmatic review of all executive branch state agencies, except public institutions of higher education, with total agency appropriations of two percent or more of the total state-appropriated funds. The review shall be conducted by a private management consulting firm and evaluated by a joint subcommittee of the House Appropriations and Senate Finance Committees. The review shall place special emphasis on personnel, real estate whether leased or owned by the Commonwealth, procurement, and technology policies and practices. Also, the review shall consider agency mission statements, strategic plans, or performance goals and objectives and compare similar operations to other states. The legislative joint subcommittee shall make recommendations to improve the efficiency of each agency within 45 days of its receipt of the private firm's report. The bill is contingent on funding being appropriated for it on or before January 1, 2007, and the bill expires on December 31, 2009.
- 6. Fiscal Impact Estimates:** A private firm would be hired by the Governor taking office in January 2006. How the firm would be chosen and what it would charge per audit is not known at this time. While an exact contract cost with a private firm cannot be determined, similar contracts are currently used in the School Efficiency Reviews that only examine operations efficiency and effectiveness opportunities. Currently, for a school division with an annual budget of approximately \$133 million, the School Efficiency Review contract cost is about \$225,000. The bill proposes to examine any agency with total agency appropriations of two percent or more of total state-appropriated funds. There are presently six agencies in the 2004 Appropriation Act (Chapter 4) that would qualify for this review, based on their appropriations for FY 2005 and FY 2006. The annual appropriation ranges from \$672 million to \$5.8 billion. Given the size of the impacted agencies, it is reasonable to assume that these reviews would be roughly double the School Efficiency Reviews discussed above. The fiscal impact of the bill using this assumption would be about \$2.7 million (GF) in FY 2006 (6 times the \$450,000 School Efficiency Review contract).

However, the bill specifies that an appropriation must be provided on or before January 1, 2007, before the bill can become effective. If the Governor taking office in January 2006 is to execute the bill within the first 120 days, funding should be available before May 2006 in order to issue a contract. Otherwise it would appear that the Governor taking office in

January 2010 would be the next Governor to be able to execute the bill's requirements and 2010 is after the sunset provision of the bill (December 31, 2009).

- 7. Budget amendment necessary:** Yes, according to the terms of the bill.
- 8. Fiscal implications:** This would be a one-time nonrecurring expenditure of \$2.7 million in FY 2006.
- 9. Specific agency or political subdivisions affected:** Governor, General Assembly, Department of Education (Central Office Operations), Department of Mental Health, Mental Retardation and substance Abuse Services, Department of Medical Assistance Services, Department of Transportation, Department of Social Services, and Department of Corrections (Division of Institutions).
- 10. Technical amendment necessary:** No.
- 11. Other comments:** The provisions of this bill expire December 31, 2009. Therefore, it appears to only apply to the Governor inaugurated in January 2006.

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cc: Secretary of Finance