

Department of Planning and Budget 2005 Fiscal Impact Statement

1. Bill Number: HB2441

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: Saxman

3. Committee: General Laws

4. Title: State agencies and programs; Sec. of Admin. required to conduct performance reviews and report

5. Summary/Purpose: This bill requires the Secretary of Administration, during the first year of a new gubernatorial administration, to conduct a performance review of state agencies and programs. This review is to focus on the prioritization of program needs, return on program investments, effective program management, and effective, accounted fiscal management of state resources. The bill provides that the performance review is to be conducted by an independent contractor, the services of whom shall be procured in accordance with the Virginia Public Procurement Act or the Public-Private Education Facilities and Infrastructure Act of 2002. The bill requires the performance review to be completed within three years, with a written report to the Governor and the General Assembly.

6. Fiscal Impact Estimates are indeterminate.

See Item Eight.

7. Budget amendment necessary: Yes. The costs of these contracts need to be incorporated with 2006-2008/2008-2010 biennia budgets.

8. Fiscal implications: This bill requires the Secretary of Administration to procure the services of a private consulting firm to conduct a broad range performance, managerial and financial reviews of state agencies and programs. The review is required to begin at the start of each new gubernatorial administration, with completion within three years of execution. An assessment of the fiscal impact of the legislation depends on assumptions about the costs to contract with a private consulting contractor. These costs could be substantial based on the requirements of the review and the number of state agencies in the Commonwealth.

For example, if each review of an agency takes at least 400 hours the cost per agency review would be \$40,000. The total cost to review all state agencies would be \$6,840,000 over a three-year period. This cost would be paid out over the three-year period as agreed milestones are completed. With each new study, a renewal or new contract would need to be established. With current industry trends, it is expected that subsequent contracts would increase the cost at minimum of five percent. The estimate of the second performance review cost would be \$7,182,000 over the three-year period.

2006-2010 Administration

2006-2007 \$2,280,000

2007-2008 \$2,280,000

2008-2009 \$2,280,000

\$6,840,000

2006-2008/2008-2010 Biennia Total

2010-2014 Administration

2010-2011 \$2,394,000

2011-2012 \$2,394,000

2012-2013 \$2,394,000

\$7,182,000

2010-2012/2012-2014 Biennia Total

Assumptions: A fixed price hourly consultant rate of \$100 for the first performance review, with 171 state agencies to be reviewed at an average of 400 hours for each agency. An exhaustive review, including independent agencies, all colleges and universities, and correctional facilities would total 245 agencies to be reviews. The total for this level of review would cost at least \$9,800,000. Price escalations would occur with each subsequence renewal or new contract. Any changes in these assumptions could significantly affect the costs of this review

This proposal could result in additional workload to the Commonwealth to provide contract administration of the contract and the resources to provide the required assistance and information requested by the consultant during the review process. These additional costs, which are indeterminate, will be incurred by all state agencies.

9. Specific agency or political subdivisions affected: All State Agencies of the Commonwealth.

10. Technical amendment necessary: No

11. Other comments: No

Date: 01/24/05 / JIH

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cc: Secretary of Administration