

## **Department of Planning and Budget 2010 Fiscal Impact Statement**

**1. Bill Number:** HB 485

House of Origin    ☐    Introduced    ☐ Substitute    ☐ Engrossed  
Second House       ☐    In Committee    ☐ Substitute    ☒ Enrolled

**2. Patron:**        Lingamfelter

**3. Committee:** Passed Both Houses

**4. Title:**        **Performance Review of Certain State Departments, Agencies, and Programs**

**5. Summary:** Directs the Governor to initiate on July 1, 2010, an operational and programmatic performance review of (i) the agencies under the Secretary of Health and Human Resources and the Secretary of Public Safety, (ii) the Department of Education, including primary and secondary education funded by the Commonwealth, and (iii) any other department, agency, or program of the Commonwealth in the executive branch of state government that the Governor deems necessary to effect savings in expenditures, reduce duplication of effort, and achieve programmatic efficiencies in the operation of state government. The reviews shall be concluded by December 1, 2011. The reviews shall be conducted by a private management consulting firm.

The Senate amended HB 485 to include the following language, *“The review under this act shall be conducted only pursuant to a fixed price contract, and the contract shall not provide for any payment resulting from the implementation of any recommendations of the review.”*

It also struck lines 29 through 31 which would have allowed private consulting firms to be paid for their studies and reviews out of a percentage of any savings resulting from recommendations approved by the Governor and General Assembly.

**6. Fiscal Impact Estimates:** Indeterminate

**7. Budget Amendment Necessary:** No

**8. Fiscal Implications:**

As amended by the Senate, operational and programmatic performance review contracts would be structured in the traditional manner where the Commonwealth selects the competent low bid vendor or vendors to conduct the reviews. The fiscal estimate is based on the Department of Planning and Budget’s experience in awarding contracts for school efficiency review studies. The average cost of the most recent ten studies is \$104,000. This is the base cost that was then multiplied by the number of agencies and departments (approximately 26 agencies) outlined in HB 485. Based on this methodology, the gross costs are estimated to be as high as \$2.7 million for the full project.

Since all reviews must be finished by December 2011, five months after the start of FY2012, it is difficult to estimate the potential costs by fiscal year. Since the estimated cost is the sum of the cost of 26 individual agency studies, it has not been determined if each agency could absorb its share of the cost. To the extent that each agency could absorb its share of the cost, a budget amendment would not be needed. Additional appropriations will be needed to address any costs that agencies cannot absorb. To the extent that savings are realized in the year in which the expenditure occurs, those savings can be directed to pay any costs. No estimate of the potential savings is available at this time.

**9. Specific Agency or Political Subdivisions Affected:**

Departments, agencies, and programs under the Health and Human Resources and Public Safety secretariats, the Department of Education, and potentially any other state department, agency, and program deemed necessary by the Governor to effect savings.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:**

**Date:** 3/5/2010 dpb

**Document:** G:\10 Legislation Rev\HB485.Doc

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