

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: SB559

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

2. Patron: Sturtevant

3. Committee: Finance

4. Title: Governor; performance review of state departments, agencies, and programs; scope of review; report.

5. Summary: Directs the Governor to initiate on July 1, 2016, and every two years thereafter, an operational and programmatic performance review of all state departments, agencies, and programs. The purpose of the review is to provide an objective and independent cost savings assessment of the Commonwealth's organizational structure and its programs in order to provide information to the Governor and the General Assembly to effect savings in expenditures, a reduction in duplication of effort, and programmatic efficiencies in the operation of state government. The bill provides that the review must be conducted by a United States-based private management consulting firm with experience in conducting statewide performance reviews and provides for certain required terms for the consulting contract. The Governor shall submit a report to the General Assembly on the results of each review by December 1 of the year in which such review is conducted.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: Preliminary

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2016	\$16,597,205	0	TBD
2017	\$16,597,205	0	TBD
2018	\$16,597,205	0	TBD
2019	\$16,597,205	0	TBD
2020	\$16,597,205	0	TBD
2021	\$16,597,205	0	TBD
2022	\$16,597,205	0	TBD

8. Fiscal Implications: In order to generate an estimated impact, actual cost data is the best source for calculating the potential cost of contracts required by this legislation. For purposes of this impact statement, the fiscal impact estimates are based on the experiences of the Department of Planning and Budget in awarding contracts for school efficiency reviews. The average cost of the ten most recent studies is \$123,399. This number provides a base estimate that is then multiplied by the number of agencies, departments, and programs that would be

affected (approximately 269 agencies and departments receiving appropriations). This methodology yields a biennial gross cost of \$33.2 million (\$16.2 million annually). The split of these costs between general fund and nongeneral fund sources will need to be determined (TBD). Sufficient information to establish the appropriate allocation of cost is not available at this time. The number of agencies affected would require the Commonwealth to contract with multiple consulting firms, as a single firm would be unable to meet the volume of demand. It is not likely that many agencies can afford to contract these reviews and pay for them from existing appropriations. Consequently, additional funding will be needed by most agencies. At this time, it is not possible to estimate cost savings to any agency, therefore, the extent to which any savings could cover any part of the cost of reviews is uncertain.

9. Specific Agency or Political Subdivisions Affected: All state agencies, departments, and programs

10. Technical Amendment Necessary: No

11. Other Comments: none