

**Department of Planning and Budget
2017 Fiscal Impact Statement**

1. Bill Number: SB834

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

2. Patron: Sturtevant

3. Committee: General Laws and Technology

4. Title: Efficiency and effectiveness review and assessment of state departments, agencies, etc.

5. Summary: Governor; efficiency and effectiveness review and assessment of state departments, agencies, and programs; schedule; scope of review; report. Directs the Governor to establish an ongoing operational and programmatic efficiency and effectiveness review and assessment of all state departments, agencies, and programs to coincide with alternating biennial state budget cycles. The bill schedules one-half of all state departments, agencies, and programs to be reviewed in each biennial budget cycle. The purpose of the review and assessment 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 requires that the review and assessment 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 bill requires the Governor to submit a report to the General Assembly on the results of each review and assessment by December 1 of the year in which such review is conducted.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$5,676,354	0	TBD
2018	\$5,676,354	0	TBD
2019	\$5,676,354	0	TBD
2020	\$5,676,354	0	TBD
2021	\$5,676,354	0	TBD
2022	\$5,676,354	0	TBD
2023	\$5,676,354	0	TBD

8. Fiscal Implications: The bill directs the Governor to establish an ongoing efficiency and effectiveness review of “all state departments, agencies, and programs” using a “private management consulting firm with experience in conducting statewide performance reviews.”

Actual cost data were used as the best source of calculating the potential cost of these reviews. The most directly-comparable available cost data are from the Department of Planning and Budget's school efficiency reviews. The average cost of the 10 most recent reviews is \$123,399. This average is then multiplied by the number of state executive branch agencies, estimated at approximately 183 agencies (attached) receiving appropriations. This number represents state executive branch agencies, including higher education. Although the term "state agency" is not defined by the bill, this cost estimate assumes that it excludes legislative, judicial, and independent agencies. The cost estimate also excludes central appropriations, general fund resources and provisions, and state grants to nonstate entities. Lastly, the estimate also excludes "programs," which is not a defined term in the bill. Depending on how that term is defined, a given agency may require multiple reviews, and/or a given review may encompass more than one agency for a broad program such as Medicaid.

SB 834 would require reviews for one half of all state agencies (about 92 agencies) during each biennial budget cycle. The cost per biennium is estimated at \$11,352,708 or \$5,676,354 annually. Sufficient information to establish the appropriate allocation of cost between general fund and nongeneral fund sources is not available at this time.

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. The bill states that any savings resulting from implementation of recommendations should first be used to reimburse the general fund or the agency for the cost of the review. Notwithstanding this reimbursement language, the bill may create unreimbursed short-term and long-term costs.

- In the short run, additional appropriations from the general fund may be needed because the consulting firm would be paid during the term of the contract, before any recommendations could be implemented that would produce the savings. And though the general fund could ultimately be reimbursed for any state savings, any federal funds saved would have to be returned to the federal government.
- In the long run, some recommendations may require additional funds to support implementation, or legislative changes to permit implementation. Lastly, some recommendations may not be practical for an agency to implement, and thus no savings would be generated. This could include recommendations that require the involvement of other state or local agencies, particularly as a result of "program" assessments that span multiple 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 the reviews is uncertain. However, it's likely that most benefits would be realized from the initial review, such that the availability of unique cost savings recommendations will likely diminish in any given agency's second and subsequent reviews after the first biennium.

It should be noted, however, that other cost data suggest a wide range of potential costs is possible. The cost of an individual consulting contract varies based on the size and scope of the project, program, or agency, and the length of the engagement. For example, in FY 2016 the Office of State Inspector General (OSIG) contracted with SC&H Group for two agency performance reviews: a review of the Virginia Information Technologies Agency (VITA) at a cost of \$164,360, and a review of the Virginia Department of Social Services Case Management System at a cost of \$58,760. Similarly, in 2011 the Virginia Department of Corrections paid MGT of America \$354,000 for an agency performance review, which may be a better indicator of cost for larger agencies. Since FY 2011, state agencies have used VITA's contract with Computer Aid Inc. for program and project reviews. As of December 2016, 45 such reviews have been completed, with the costs for individual engagements ranging from \$9,360 to \$899,447. Lastly, the Joint Legislative Audit and Review

Commission retained Mercer Health and Benefits in 2016 to assist with their review of Virginia's Medicaid program, at a cost of \$569,409.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Attachments

Executive Branch Agencies Used to Create Cost Estimate

1	Augusta Correctional Center
2	Baskerville Correctional Center
3	Bland Correctional Center
4	Blue Ridge Community College
5	Board of Accountancy
6	Buckingham Correctional Center
7	Catawba Hospital
8	Central State Hospital
9	Central Virginia Community College
10	Central Virginia Training Center
11	Children's Services Act
12	Christopher Newport University
13	Coffeewood Correctional Center
14	Commonwealth Center for Children and Adolescents
15	Commonwealth's Attorneys' Services Council
16	Compensation Board
17	Cooperative Extension and Agricultural Research Services
18	Council on Virginia's Future
19	Dabney S. Lancaster Community College
20	Danville Community College
21	Deep Meadow Correctional Center
22	Deerfield Correctional Center
23	Department for Aging and Rehabilitative Services
24	Department for the Blind and Vision Impaired
25	Department for the Deaf and Hard-Of-Hearing
26	Department of Accounts
27	Department of Agriculture and Consumer Services
28	Department of Alcoholic Beverage Control
29	Department of Aviation
30	Department of Behavioral Health and Developmental Services
31	Department of Conservation and Recreation
32	Department of Corrections--Central Administration
33	Department of Criminal Justice Services
34	Department of Education, Central Office Operations
35	Department of Elections
36	Department of Emergency Management
37	Department of Environmental Quality
38	Department of Fire Programs
39	Department of Forensic Science
40	Department of Forestry
41	Department of Game and Inland Fisheries
42	Department of General Services
43	Department of Health
44	Department of Health Professions
45	Department of Historic Resources
46	Department of Housing and Community Development
47	Department of Human Resource Management
48	Department of Juvenile Justice
49	Department of Labor and Industry
50	Department of Medical Assistance Services
51	Department of Military Affairs
52	Department of Mines, Minerals and Energy
53	Department of Motor Vehicles
54	Department of Planning and Budget

55 Department of Professional and Occupational Regulation
56 Department of Rail and Public Transportation
57 Department of Small Business and Supplier Diversity
58 Department of Social Services
59 Department of State Police
60 Department of Taxation
61 Department of the Treasury
62 Department of Transportation
63 Department of Veterans Services
64 Dillwyn Correctional Center
65 Eastern Shore Community College
66 Eastern State Hospital
67 Eastern Virginia Medical School
68 Fluvanna Correctional Center for Women
69 Fort Monroe Authority
70 Frontier Culture Museum of Virginia
71 George Mason University
72 Germanna Community College
73 Green Rock Correctional Center
74 Greensville Correctional Center
75 Gunston Hall
76 Haynesville Correctional Center
77 Hiram Davis Medical Center
78 Indian Creek Correctional Center
79 Innovation and Entrepreneurship Investment Authority
80 Institute for Advanced Learning and Research
81 J. Sargeant Reynolds Community College
82 James Madison University
83 Jamestown-Yorktown Foundation
84 John Tyler Community College
85 Keen Mountain Correctional Center
86 Longwood University
87 Lord Fairfax Community College
88 Lunenburg Correctional Center
89 Marine Resources Commission
90 Marion Correctional Center
91 Motor Vehicle Dealer Board
92 Mountain Empire Community College
93 New College Institute
94 New River Community College
95 Norfolk State University
96 Northern Virginia Community College
97 Northern Virginia Mental Health Institute
98 Northern Virginia Training Center
99 Nottoway Correctional Center
100 Old Dominion University
101 Opportunity Educational Institution
102 Patrick Henry Community College
103 Paul D. Camp Community College
104 Piedmont Geriatric Hospital
105 Piedmont Virginia Community College
106 Pocahontas State Correctional Center
107 Radford University
108 Rappahannock Community College
109 Red Onion State Prison
110 Richard Bland College

111 River North Correctional Center
112 Roanoke Higher Education Authority
113 Secretary of Administration
114 Secretary of Agriculture and Forestry
115 Secretary of Commerce and Trade
116 Secretary of Education
117 Secretary of Finance
118 Secretary of Health and Human Resources
119 Secretary of Natural Resources
120 Secretary of Public Safety and Homeland Security
121 Secretary of Technology
122 Secretary of Transportation
123 Secretary of Veterans and Defense Affairs
124 Sitter & Barfoot Veterans Care Center
125 Southeastern Universities Research Association Doing Business for Jefferson Science Associates
126 Southeastern Virginia Training Center
127 Southern Virginia Higher Education Center
128 Southern Virginia Mental Health Institute
129 Southside Virginia Community College
130 Southside Virginia Training Center
131 Southwest Virginia Community College
132 Southwest Virginia Higher Education Center
133 Southwestern Virginia Mental Health Institute
134 Southwestern Virginia Training Center
135 St. Brides Correctional Center
136 State Council of Higher Education for Virginia
137 Sussex One State Prison
138 Sussex Two State Prison
139 The College of William and Mary in Virginia
140 The Library of Virginia
141 The Science Museum of Virginia
142 Thomas Nelson Community College
143 Tidewater Community College
144 Tobacco Indemnification and Community Revitalization Commission
145 Treasury Board
146 University of Mary Washington
147 University of Virginia
148 University of Virginia Medical Center
149 University of Virginia's College at Wise
150 Virginia Board for People with Disabilities
151 Virginia Center for Behavioral Rehabilitation
152 Virginia Commercial Space Flight Authority
153 Virginia Commission for the Arts
154 Virginia Commonwealth University
155 Virginia Community College System-Central Office
156 Virginia Cooperative Extension and Agricultural Experiment Station
157 Virginia Correctional Center for Women
158 Virginia Correctional Enterprises
159 Virginia Economic Development Partnership
160 Virginia Employment Commission
161 Virginia Foundation for Healthy Youth
162 Virginia Highlands Community College
163 Virginia Information Technologies Agency
164 Virginia Institute of Marine Science
165 Virginia Military Institute
166 Virginia Museum of Fine Arts

167	Virginia Museum of Natural History
168	Virginia Parole Board
169	Virginia Polytechnic Institute and State University
170	Virginia Port Authority
171	Virginia Racing Commission
172	Virginia Rehabilitation Center for the Blind and Vision Impaired
173	Virginia School for the Deaf and the Blind
174	Virginia State University
175	Virginia Tourism Authority
176	Virginia Veterans Care Center
177	Virginia Western Community College
178	Virginia-Israel Advisory Board
179	Wallens Ridge State Prison
180	Western Region Correctional Field Units
181	Western State Hospital
182	Wilson Workforce and Rehabilitation Center
183	Wytheville Community College