

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

1. Bill Number: SB1387

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Sturtevant

3. Committee: Rules

4. Title: Joint Legislative Audit and Review Commission; operational and programmatic efficiency and effectiveness reviews

5. Summary Authorizes, but does not require, the Joint Legislative Audit and Review Commission (JLARC) to establish an ongoing operational and programmatic efficiency and effectiveness review and assessment of state agencies under a contract with a United States-based private management consulting firm with experience in conducting statewide performance reviews. 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 also (i) provides certain required terms for the contract with the private entity and (ii) requires the Commission to submit a report to the General Assembly on the results of each review and assessment by December 1 of the year in which the review is conducted.

6. Budget Amendment Necessary: Yes.

7. Fiscal Impact Estimates: See #8

8. Fiscal Implications: In addition to JLARC's existing responsibility to review and evaluate state entities pursuant to the Legislative Program Review and Evaluation Act (§ 30-65 et seq.), SB 1387 would *allow* (but not *require*) JLARC to conduct efficiency reviews by contracting with private consulting firms. The proposed legislation does not specify the number, scope and scale of reviews to be contracted for on an annual basis.

JLARC staff provided estimates of the potential annual costs, which are driven by the number and type of reviews (see table on following page). Accordingly, the fiscal impact depends on the number of reviews performed. For example, if JLARC uses consulting services to review five large departments or programs, the cost could be over \$2 million annually.

Scenarios	FY 2018	FY 2019
1 Large Study	\$405,675	\$405,675
1 Medium Study	\$274,527	\$274,527
1 Small Study	\$168,900	\$168,900
<i>Source: JLARC staff</i>		

9. Specific Agency or Political Subdivisions Affected: The Joint Legislative Audit and Review Commission and “all state departments, agencies, and programs.”

10. Technical Amendment Necessary: No.

11. Other Comments: As drafted, the bill poses three broad concerns. First, the bill states that any savings resulting from implementation of recommendations, “shall be used first to reimburse the general fund or the applicable department, agency, or program for the cost of the review.” However, language on line 17 clearly states JLARC would contract for services. It is unclear whether this mechanism is intended to reimburse JLARC for the cost of the contract.

Second, 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, yet any potential savings may not be realized concurrently. 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 for “program” assessments that span multiple agencies.

Third, the bill poses several implementation challenges. It is unclear how the term “program” is defined, and whether that implies a given agency may have multiple reviews and/or a review may encompass more than one agency for a broad program such as Medicaid. Finally, the bill does not clearly indicate whether its definition of “state agency” includes only those public bodies within the executive department (which includes, for example, institutions of higher education and political subdivisions that report to a member of the Cabinet), or also includes independent agencies and other branches of state government.

This bill is similar to SB 834.