

BILL # HB 2683

TITLE: appropriation; state services; limitation

SPONSOR: Pierce

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Paul Shannon

FISCAL YEAR

2002

2003

2004

EXPENDITURES

General Fund

\$-0-

Cannot Be Determined

FISCAL ANALYSIS

Description

The bill requires that before the Legislature may appropriate monies to a state agency, the agency must provide an accounting of the total cost for the agency to provide services and must demonstrate in a detailed manner why the agency should provide the services rather than bidding the services to the lowest cost qualified bidder. The provisions of the bill do not apply to universities and community colleges.

Estimated Impact

The JLBC Staff is unable to provide an estimate of the costs or benefits of the bill. In general, contracting out would achieve costs savings in circumstances where a private bidder would perform a service less expensively than a state agency. Based on available data, we cannot determine this amount in advance.

Contracting these services would entail some new administrative costs that may offset the savings. For example, state agencies would need to have more sophisticated cost accounting procedures. There is no current estimate of these administrative costs.

The Arizona Department of Administration (ADOA) declined to provide an estimate of the costs and benefits of the bill.

Assumptions

The bill as introduced changes the manner of appropriating funds to agencies to provide governmental services. Before receiving an appropriation for a service, agencies must account for the total cost of providing the service and then must demonstrate that the agency should provide the service rather than contract the provision of the service to the lowest cost qualified bidder. Should the Legislature approve funds for the provision of the service by the lowest cost qualified bidder, there are assumed to be savings associated with the reduced cost. Without a cost analysis by each agency on a service-by-service basis, the JLBC is unable to determine the extent of those savings.

The bill requires an agency to account for the total cost of providing the service. Some agencies may already be collecting this data. Others may have to commence a cost determination process, which could take up to one fiscal year based on ADOA estimates of their program structures. It is unknown where each state agency affected by the bill stands in the cost determination process. Agencies that have to create a cost determination methodology would incur costs for that process. The JLBC Staff is unable to determine what the statewide costs would be for this activity. ADOA reports that cost accounting software is currently installed as part of the state's accounting system, so there would be no technology costs associated with the first provision of the bill.

(Continued)

Assumptions (Continued)

The second provision of the bill would necessarily require that state procurement offices determine what the bidding process would offer versus what the agency can offer so that a report can be made to the Legislature. These procurement costs could be significant, even if every agency determined that the agency should provide the service.

Local Government Impact

None

Amendments

None

4/9/02