

Fiscal Estimate Narratives
DOA 2/28/2005

LRB Number	05-1869/1	Introduction Number	AB-105	Estimate Type	Original
Subject					
Contractual service procurements					

Assumptions Used in Arriving at Fiscal Estimate

If enacted this bill would require a cost-benefit analysis be completed for each bid or RFP to compare the cost of contracting for services versus providing the services with state employees.

The Department of Administration issued 279 contracts for services in FY04. This figure includes contracts over \$25,000 but does not include any state-wide contracts issued by the State Bureau of Procurement. According to the Contractual Services Purchasing Report, July 1, 2003 through June 30, 2004, issued on October 15, 2004, DOA's FY04 contracts totaled \$32 million compared with \$743 million of contracts for all state agencies and the UW.

DOA staff recently tested a comprehensive cost-benefit analysis for contracting. Experience indicates that approximately eight hours of staff time is needed to analyze a moderately sized contract. Based on the FY04 experience, DOA would have had to dedicate 2,232 staff hours (or approximately 1.0 FTE) to analyze all contracts.

FY04 contracts for all state government totaled \$743 million. However, DOA does not have information on the specific number of contracts issued by all state agencies and the University of Wisconsin. Consequently, no estimate of total state government staff time to perform cost-benefit analyses under the bill is available.

The bill requires the department to develop a uniform cost-benefit analysis for use by agencies. DOA estimates that approximately 40 hours will be needed to develop a training curriculum. Additionally, a two-hour program will be needed to adequately train agency personnel on the cost-benefit analysis. Training could be offered to as many as 500 staff in agency and UW purchasing, budget, human resources and information technology offices. As such, the total time of both the trainers and agency personnel could exceed 1,000 hours. Follow-up training and ongoing technical assistance to agencies is estimated at .25 FTE.

The bill does not provide specific elements to be addressed in the rule or cost-benefit analysis. The amount of staff time required to promulgate the rule will be determined by its complexity. As such, the amount of staff time needed to develop the rule may range from 200-500 hours. This estimate includes review and comment by the affected agencies as well as DOA staff.

The bill requires the department to report annually a summary of cost-benefits analyses and recommendations for eliminating or consolidating services. The amount of time required to develop the annual report depends upon the nature and volume of data provided by the agencies and UW. In addition to agency time dedicated to data collection and reporting, the department may spend 40-80 hours producing a summary of the agency data. Additional analysis to recommend eliminating or consolidating services would likely exceed 80 hours.

Finally, the bill requires fiscal estimates to include information on whether increased costs under the bill could be mitigated through use of contractual services. Agencies complete approximately 2,000 fiscal estimates per session or 1,000 per year. The department estimates this requirement will add 30 minutes staff time to each fiscal estimate (.25 FTE).

Long-Range Fiscal Implications

Unknown

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$45,000 salary & fringe based on 1,000 training hours across all state agencies and 500 hours to develop the cost benefit analysis and promulgate rules.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$93,600	
(FTE Position Changes)		(1.5 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$93,600	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS		93,600	
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$93,600	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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