

SUBJECT: Requiring notification of cost overruns for state agency contracts

COMMITTEE: Appropriations — committee substitute recommended

VOTE: 22 ayes — Zerwas, Longoria, Ashby, Capriglione, Cospers, S. Davis, Dean, Gonzales, González, Howard, Koop, Miller, Perez, Phelan, Raney, Roberts, J. Rodriguez, Sheffield, Simmons, VanDeaver, Walle, Wu

0 nays

5 absent — G. Bonnen, Dukes, Giddings, Muñoz, Rose

WITNESSES: For — None

Against — None

On — Robert Wood, Comptroller of Public Accounts; (*Registered, but did not testify*: Amy Comeaux, Bobby Pounds, and Jette Withers, Comptroller of Public Accounts)

DIGEST: CSHB 579 would require state agencies to notify within 30 days the governor, lieutenant governor, House speaker, each member of the Legislature, the Legislative Budget Board (LBB), and the State Auditor's Office when the actual cost of a contract exceeds the original cost by \$1 million or more.

The notice would be required to include:

- the amount of and reason for the excessive cost;
- any opportunity the agency had to reduce the cost or purchase the services from another vendor after learning of the overrun; and
- any other information the LBB deems relevant.

The LBB would be allowed to assess an enforcement mechanism against an agency that did not provide the required notice, increase the severity of those mechanisms for repeated violations, and dismiss those mechanisms

upon successful corrective action. These enforcement mechanisms may include:

- enhanced monitoring of the agency's contracts by LBB staff;
- required consultation with the comptroller's Contract Advisory Team or the Quality Assurance Team created by the comptroller, LBB, and the Department of Information Resources;
- targeted audits by SAO at the LBB's request;
- recommended cancellation of contracts with overruns exceeding \$1 million.

The bill would take effect on September 1, 2017, and would apply only to a contract entered into on or after that date.