

2018 CONTRACT COST CONTAINMENT ACTIVITIES REPORT

Submitted by Legislative Budget Board Staff as required by Article IX, Section 17.10, 2018-19 GAA

SUMMARY OF CONTRACT COST CONTAINMENT REQUIREMENTS

The Eighty-fifth Legislature reduced appropriations to certain agencies and asked all agencies and institutions of higher education to find savings in contracted goods and services to ensure the cost-effective use of state appropriations. Section 17.10(d), Article IX, of the 2018-2019 General Appropriations Act (GAA) reduced 2018-19 General Revenue and General Revenue-Dedicated appropriations to select agencies by \$34.0 million. This report, as required by Section 17.10(c), summarizes the cost containment activities undertaken by state agencies in fiscal year 2018 to achieve those savings.

STATEWIDE COST CONTAINMENT ACHIEVEMENTS

In June 2018, LBB staff sent 85 state agencies worksheets and directed them to describe cost containment activities and savings realized for fiscal year 2018. **71 agencies reported All Funds cost savings totaling \$27.3 million.** 89 percent of the cost saving are associated with contract cost containment. Reported General Revenue and General Revenue Dedicated savings for fiscal year 2018 exceeded 74 percent of the biennial savings target. Figure 1 summarizes cost savings by GAA Article, and Figure 2 shows savings by method of finance. Appendix 1 contains a complete list of cost savings by agency and funding sources.

FIGURE 1: TOTAL COST SAVINGS REALIZED DURING FISCAL YEAR 2018 BY GAA ARTICLE

Reported by Agencies to LBB in accordance with Section 17.10(c), Article IX, GAA

	2018-2019 Total Appropriation Reduction	2018 Total All Funds Savings Realized
Article I: General Government	\$6,331,250	\$3,466,114
Article II: Health and Human Services	\$138,750	\$112,508
Article III: Education	\$4,286,500	\$169,800
Article IV: Judiciary	\$381,700	\$370,631
Article V: Public Safety	\$7,140,750	\$14,936,216
Article VI: Natural Resources	\$7,186,500	\$3,161,434
Article VII: Economic Development	\$8,035,500	\$4,707,476
Article VIII: Regulatory	\$526,750	\$389,495
TOTALS	\$34,027,700	\$27,313,674

Source: Legislative Budget Board

FIGURE 2: REDUCTIONS AND COST SAVINGS BY METHOD OF FINANCE

Reported by Agencies to LBB in accordance with Section 17.10(c), Article IX, GAA

2018-2019 Biennium Reductions		Fiscal Year 2018 Savings Realized			
GR	GR-D	GR	GR-D	Federal Funds	Other Funds
\$23,834,050	\$10,193,650	\$19,185,073	\$5,914,236	\$867,154	\$1,347,207

Source: Legislative Budget Board

AGENCY PERFORMANCE

The rider directs agencies to achieve savings through contracting and non-contracting strategies. The 85 state agencies with appropriation reductions had two years to implement strategies to manage the reductions.

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In aggregate, agencies are on track to achieve savings in excess of the appropriation reductions for the biennium. Savings in excess of the reductions included in the rider can be freed-up for other purposes or lapsed. After one year, 32 agencies have met their cost savings requirements, 32 are on track, seven have achieved some savings but are behind schedule, and 14 have yet to report any cost savings. Figure 3 lists the agencies that have not reported cost savings, and Figure 4 lists the agencies that have substantially surpassed their reduction requirements.

FIGURE 3: AGENCIES WITH NO REPORTED COST SAVINGS IN 2018

Reported by Agencies to LBB in accordance with Section 17.10(c), Article IX, GAA

Agency	Total Appropriation Reduction
Texas Education Agency	\$4,189,250
Texas Workforce Commission	\$2,772,500
General Land Office and Veteran's Land Board	\$750,000
Facilities Commission	\$451,000
Board of Pharmacy	\$27,250
Low-Level Radioactive Waste Disposal Compact Commission	\$12,250
Commission on Law Enforcement	\$12,000
Board of Plumbing Examiners	\$9,750
Public Utility Commission of Texas	\$9,500
Commission on Fire Protection	\$4,750
Board of Veterinary Medical Examiners	\$2,750
Executive Council of Physical Therapy & Occupational Therapy Examiners	\$1,750
Ninth Court of Appeals District, Beaumont	\$1,300
Board of Professional Land Surveying	\$750
Total:	\$4,055,800

Source: Legislative Budget Board

FIGURE 4: AGENCIES SUBSTANTIALLY EXCEEDING BIENNIAL COST SAVINGS IN 2018

Reported by Agencies to LBB in accordance with Section 17.10(c), Article IX, GAA

Agency Action taken to achieve savings	2018-2019 Total Appropriation Reduction	2018 Total All Funds Savings Realized	Savings in Excess of Requirement	Percent Complete
Higher Education Coordinating Board Negotiated advertising vendor's proposal down	\$97,250	\$169,800	\$72,550	175%
Veterans Commission Renegotiated office lease rents	\$58,250	\$103,446	\$45,196	178%
Department of Criminal Justice Modified terms, encouraged vendors to identify savings, and enforced damage provisions on 13 contracts	\$1,000,000	\$1,782,564	\$782,564	178%
Department of Public Safety Employed multiple strategies over 114 contracts	\$4,985,000	\$12,733,629	\$7,748,629	255%
Tenth Court of Appeals District, Waco	\$1,300	\$4,452	\$3,152	342%

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Agency Action taken to achieve savings	2018-2019 Total Appropriation Reduction	2018 Total All Funds Savings Realized	Savings in Excess of Requirement	Percent Complete
Reduced the scope of a computer research tool contract				
Commission on Jail Standards				
Modified terms of computer and printer leases	\$2,000	\$9,262	\$7,262	463%
Racing Commission				
Reduced outsourced services and left FTE position unfilled.	\$13,250	\$76,083	\$62,833	574%
Texas Board of Chiropractic Examiners				
Did not hire a CFO and distributed duties to other employees	\$1,500	\$29,076	\$27,576	1,938%
Department of Transportation				
Consolidated maintenance needs for software	\$48,250	\$1,027,734	\$979,484	2,130%

Source: Legislative Budget Board

COST SAVINGS STRATEGIES

Section 17.10(a) listed twelve strategies for agencies to utilize in order to achieve contracting cost savings. Agencies attributed each cost savings activity to a listed or other strategy. “Other strategy related to contracting,” which includes actions such as reducing spending on a contract, canceling contracts, and switching vendors, accounted for the most cost savings at \$7.2 million. “Reducing on-hand quantities of inventory” was the 17.10 strategy accounting for the second most savings with \$4.4 million. Figure 5 summarizes the costs savings by strategy.

FIGURE 5: COST SAVINGS BY STRATEGY UTILIZED

Reported by Agencies to LBB in accordance with Section 17.10(c), Article IX, GAA

Strategies Utilized for Cost Containment	2018 Total All Funds Savings Realized
(1) Modify contract statements of work to remove non-essential services or requirements	\$2,262,857
(2) Provide services previously outsourced	\$910,901
(3) Reduce staff augmentation contracts for non-essential functions	\$106,449
(4) Ensure provisions related to service level and pricing mechanisms in existing contracts are correctly enforced	\$32,978
(5) Enforce damage provisions for vendor non-performance and collect monetary refunds for improper payments to vendors	\$3,927,774
(6) Ensure dollar values of performance bonds and insurance are consistent with risk of nonperformance and reduce requirements	-
(7) Use TxSmartBuy, term contracts, and cooperative contracts	\$369,899
(8) Modify supplier terms and discounts	\$2,198,806
(9) Consolidate purchasing requests and delivery intervals	\$431,185
(10) Consolidate contracts for similar services into the fewest vendors possible	\$702,907
(11) Reduce on-hand quantities of inventoried items and centralize warehouses	\$4,352,466

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(12) Encourage vendors to identify potential cost savings	\$1,772,063
Strategies Utilized for Cost Containment	2018 Total All Funds Savings Realized
(13) Other - Related to Contracting. Includes reducing spending on a contract, canceling contracts, and switching vendors.	\$7,223,971
(14) Other - NOT Related to Contracting. Includes leaving FTE positions unfilled.	\$3,021,418
	Total: 27,313,674

Source: Legislative Budget Board

A full report for the 2018-2019 biennium will be prepared at the close of fiscal year 2019.

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Appendix 1: CONTRACT COST CONTAINMENT BY AGENCY AND FUNDING SOURCE

Article	Agency Number	Agency	2018-2019 General Revenue Reduction	2018-2019 General Revenue-Dedicated Reduction	2018 GR Savings Realized	2018 GR-D Savings Realized	2018 Federal Funds Savings Realized	2018 Other Funds Savings Realized	2018 Total All Funds Savings Realized
		All	\$23,834,050	\$10,193,650	\$19,185,073	\$5,914,236	\$865,372	\$1,347,207	\$27,313,674
I	300	Trusteed Programs Within the Office of the Governor	\$517,750	\$405,500	\$83,790	\$63,728	-	-	\$147,518
I	301	Office of the Governor	\$19,500	-	\$83,790	-	-	-	\$83,790
I	302	Office of the Attorney General	\$901,000	\$295,000	\$770,324	\$8,992	\$232,458	\$175	\$1,011,949
I	303	Facilities Commission	\$422,950	\$28,050	-	-	-	-	-
I	304	Comptroller of Public Accounts	\$2,091,250	-	\$1,045,830	-	-	-	\$1,045,830
I	306	Library & Archives Commission	\$233,500	-	\$233,500	-	-	-	\$233,500
I	307	Secretary of State	\$165,750	-	\$165,750	-	-	-	\$165,750
I	326	Texas Emergency Services Retirement System	\$23,000	-	\$11,500	-	-	-	\$11,500
I	338	Pension Review Board	\$2,750	-	\$2,850	-	-	-	\$2,850
I	352	Bond Review Board	\$4,500	-	\$4,000	-	-	-	\$4,000
I	356	Texas Ethics Commission	\$34,000	-	\$34,000	-	-	-	\$34,000
I	403	Veterans Commission	\$58,250	-	\$6,075	-	\$97,371	-	\$103,446
I	477	Commission on State Emergency Communications	-	\$111,000	-	\$41,416	-	-	\$41,416
I	808	Historical Commission	\$184,750	\$2,750	\$117,882	\$1,375	-	-	\$119,257
I	809	Preservation Board	\$210,750	-	\$141,959	-	-	\$9,723	\$151,682

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I	813	Commission on the Arts	\$43,750	\$500	\$21,875	\$250	-	-	\$22,125
I	902	Comptroller - State Fiscal	\$575,000	-	\$287,500	-	-	-	\$287,500
II	537	Department of State Health Services	\$81,500	\$57,250	\$110,723	-	\$1,782	-	-
III	701	Texas Education Agency	\$4,189,250	-	-	-	-	-	-
III	781	Higher Education Coordinating Board	\$97,250	-	\$169,800	-	-	-	\$169,800
IV	201	Supreme Court of Texas	\$282,250	-	\$282,250	-	-	-	\$282,250
IV	212	Office of Court Administration, Texas Judicial Council	\$18,050	\$50,950	\$18,407	\$50,950	-	-	\$69,357
IV	213	Office of the State Prosecuting Attorney	\$250	-	\$350	-	-	-	\$350
IV	215	Office of Capital and Forensic Writs	-	\$4,750	-	\$2,375	-	-	\$2,375
IV	221	First Court of Appeals District, Houston	\$1,300	-	\$397	-	-	-	\$397
IV	222	Second Court of Appeals District, Fort Worth	\$1,300	-	\$650	-	-	-	\$650
IV	223	Third Court of Appeals District, Austin	\$1,300	-	\$650	-	-	-	\$650
IV	224	Fourth Court of Appeals District, San Antonio	\$1,300	-	\$1,300	-	-	-	\$1,300
IV	225	Fifth Court of Appeals District, Dallas	\$1,300	-	\$1,300	-	-	-	\$1,300
IV	226	Sixth Court of Appeals District, Texarkana	\$1,300	-	\$1,336	-	-	-	\$1,336
IV	227	Seventh Court of Appeals District, Amarillo	\$1,300	-	\$650	-	-	-	\$650

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IV	228	Eighth Court of Appeals District, El Paso	\$1,300	-	\$650	-	-	-	\$650
IV	229	Ninth Court of Appeals District, Beaumont	\$1,300	-	-	-	-	-	-
IV	230	Tenth Court of Appeals District, Waco	\$1,300	-	\$4,452	-	-	-	\$4,452
IV	231	Eleventh Court of Appeals District, Eastland	\$1,300	-	\$650	-	-	-	\$650
IV	232	Twelfth Court of Appeals District, Tyler	\$1,300	-	\$650	-	-	-	\$650
IV	233	Thirteenth Court of Appeals District, Corpus Christi-Edinburg	\$1,300	-	\$650	-	-	-	\$650
IV	234	Fourteenth Court of Appeals District, Houston	\$1,300	-	\$665	-	-	-	\$665
IV	242	State Commission on Judicial Conduct	\$1,250	-	\$2,120	-	-	-	\$2,120
IV	243	State Law Library	\$6,000	-	\$180	-	-	-	\$180
V	401	Military Department	\$183,250	-	\$55,725	-	\$37,262	-	\$92,987
V	405	Department of Public Safety	\$4,985,000	-	\$12,275,877	-	\$429,592	\$28,160	\$12,733,629
V	407	Commission on Law Enforcement	-	\$12,000	-	-	-	-	-
V	409	Commission on Jail Standards	\$2,000	-	\$9,262	-	-	-	\$9,262
V	411	Commission on Fire Protection	\$4,750	-	-	-	-	-	-
V	458	Alcoholic Beverage Commission	\$187,500	-	\$132,391	-	-	-	\$132,391
V	644	Juvenile Justice Department	\$766,250	-	\$185,384	-	-	-	\$185,384

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V	696	Department of Criminal Justice	\$1,000,000	-	\$1,610,849	-	-	\$171,715	\$1,782,564
VI	305	General Land Office and Veteran's Land Board	\$585,000	\$165,000	-	-	-	-	-
VI	535	Low-Level Radioactive Waste Disposal Compact Commission	-	\$12,250	-	-	-	-	-
VI	455	Railroad Commission	\$97,050	\$789,200	\$16,795	\$421,319	-	-	\$438,114
VI	551	Department of Agriculture	\$881,250	-	-	\$440,625	-	\$15,000	\$455,625
VI	554	Animal Health Commission	\$60,500	-	\$28,380	-	-	-	\$28,380
VI	580	Water Development Board	\$312,500	-	\$156,250	-	-	-	\$156,250
VI	582	Texas Commission on Environmental Quality	\$55,250	\$2,206,750	\$40,000	\$142,800	-	-	\$182,800
VI	592	Soil and Water Conservation Board	\$192,000	-	\$23,000	-	\$47,515	-	\$70,515
VI	802	Texas Parks and Wildlife Department	\$708,750	\$1,121,000	\$708,750	\$1,121,000	-	-	\$1,829,750
VII	320	Texas Workforce Commission	\$2,685,500	\$87,000	-	-	-	-	-
VII	332	Department of Housing and Community Affairs	\$105,000	-	\$14,459	-	\$21,174	\$94,700	\$130,333
VII	362	Texas Lottery Commission	\$314,500	\$4,685,500	-	\$3,489,659	-	-	\$3,489,659
VII	601	Department of Transportation	\$48,250	-	-	-	-	\$1,027,734	\$1,027,734
VII	608	Department of Motor Vehicles	\$109,750	-	\$59,750	-	-	-	\$59,750
VIII	312	Securities Board	\$9,500	-	\$13,599	-	-	-	\$13,599
VIII	359	Office of Public Insurance Counsel	\$1,750	-	\$2,818	-	-	-	\$2,818

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VIII	360	State Office of Administrative Hearings	\$8,750	-	\$10,110	-	-	-	\$10,110
VIII	448	Office of Injured Employee Counsel	-	\$4,500	-	\$4,500	-	-	\$4,500
VIII	454	Department of Insurance	\$80,150	\$119,850	\$26,388	\$39,581	-	-	\$65,969
VII	456	Board of Plumbing Examiners	\$9,750	-	-	-	-	-	-
VII	464	Board of Professional Land Surveying	\$750	-	-	-	-	-	-
VII	473	Public Utility Commission of Texas	\$7,950	\$1,550	-	-	-	-	-
VIII	475	Office of Public Utility Counsel	\$4,400	\$1,350	\$2,200	\$675	-	-	\$2,875
VIII	476	Racing Commission	-	\$13,250	-	\$76,083	-	-	\$76,083
VIII	481	Board of Professional Geoscientists	\$2,500	-	\$2,500	-	-	-	\$2,500
VIII	503	Texas Medical Board	\$53,050	\$18,700	\$41,325	\$8,908	-	-	\$50,233
VIII	504	Texas State Board of Dental Examiners	\$13,250	-	\$14,689	-	-	-	\$14,689
VIII	507	Texas Board of Nursing	\$66,000	-	\$33,000	-	-	-	\$33,000
VIII	508	Texas Board of Chiropractic Examiners	\$1,500	-	\$29,076	-	-	-	\$29,076
VIII	512	Board of Podiatric Medical Examiners	\$1,000	-	\$1,000	-	-	-	\$1,000
VIII	513	Funeral Service Commission	\$1,250	-	\$960	-	-	-	\$960
VIII	514	Optometry Board	\$1,500	-	\$205	-	-	-	\$205
VIII	515	Board of Pharmacy	\$27,250	-	-	-	-	-	-

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VIII	520	Board of Examiners of Psychologists	\$1,500	-	\$1,692	-	-	-	\$1,692
VIII	533	Executive Council of Physical Therapy & Occupational Therapy Examiners	\$1,750	-	-	-	-	-	-
VIII	578	Board of Veterinary Medical Examiners	\$2,750	-	-	-	-	-	-
VIII	452	Department of Licensing and Regulation	\$71,250	-	\$80,187	-	-	-	\$80,187