

2018-19 CONTRACT COST CONTAINMENT SUMMARY 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. Article IX, Section 17.10, Contract Cost Containment, General Appropriations Act (GAA) 2018-19 Biennium, reduced General Revenue and General Revenue-Dedicated appropriations to certain agencies by \$34.0 million for the 2018-19 biennium. Article IX, Section 17.10 also requires agencies to report to the Legislative Budget Board (LBB) the cost containment activities state entities implemented during the 2018-19 biennium to achieve contract cost savings. Below are the highlights of these activities.

STATEWIDE COST CONTAINMENT ACHIEVEMENTS

LBB staff sent worksheets to all state agencies and institutions of higher education and directed them to describe cost containment activities and savings realized for the 2018-19 biennium. **Eighty-seven state entities reported General Revenue (GR) and General Revenue-Dedicated (GR-D) cost savings totaling \$49.5 million.** Of this amount, \$45.7 million, or 92.3 percent, of the savings was the result of contract cost containment.

The agencies and institutions of higher education reported \$10.3 million in additional savings out of Federal Funds and Other Funds. Of this amount, \$8.8 million, or 85.4 percent, of the savings was the result of contract cost containment strategies.

Agencies and institutions of higher education reported \$58.7 million in All Funds cost savings in all strategies.

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 or institution and funding sources.

FIGURE 1: TOTAL 2018-19 COST SAVINGS REALIZED BY GAA ARTICLE

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

Article	Total GR/GR-D Reduction	Total GR/GR-D Savings Realized
Article I: General Government	\$6,331,250	\$7,750,665
Article II: Health and Human Services	\$138,750	\$5,007,723
Article III: Education	\$4,286,500	\$7,306,408
Article IV: Judiciary	\$381,700	\$395,983
Article V: Public Safety and Criminal Justice	\$7,140,750	\$16,452,533
Article VI: Natural Resources	\$7,186,500	\$4,468,292
Article VII: Business and Economic Development	\$8,035,500	\$7,089,724
Article VIII: Regulatory	\$526,750	\$1,077,147
TOTALS	\$34,027,700	\$49,548,474

Source: Legislative Budget Board

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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

2018-19 Biennium Reductions		2018-19 Biennium Savings Realized			
GR	GR-D	GR	GR-D	Federal Funds	Other Funds
\$23,834,050	\$10,193,650	\$36,670,000	\$12,878,474	\$4,230,841	\$6,084,523

Source: Legislative Budget Board

COST SAVINGS STRATEGIES

Section 17.10(a) identified 12 strategies for agencies to utilize to achieve contracting cost savings. Agencies and institutions were asked to attribute each cost savings activity to one of the listed or other strategies. LBB staff also included the option for “Other strategy related to contracting,” to characterize all reported savings. Under this strategy, agencies and institutions of higher education reported \$17.5 million in savings mostly related to actions such as reducing spending on a contract, canceling contracts, and switching vendors. Figure 3 summarizes the costs savings by strategy.

FIGURE 3: 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	2018-9 GR/GR-D Savings Realized
(1) Modify contract statements of work to remove non-essential services or requirements	\$4,015,841
(2) Provide services previously outsourced	\$932,513
(3) Reduce staff augmentation contracts for non-essential functions	\$1,226,289
(4) Ensure provisions related to service level and pricing mechanisms in existing contracts are correctly enforced	\$292,198
(5) Enforce damage provisions for vendor non-performance and collect monetary refunds for improper payments to vendors	\$6,659,685
(6) Ensure dollar values of performance bonds and insurance are consistent with risk of nonperformance and reduce requirements	\$0.00
(7) Use TxSmartBuy, term contracts, and cooperative contracts	\$595,760
(8) Modify supplier terms and discounts	\$3,950,669
(9) Consolidate purchasing requests and delivery intervals	\$444,977
(10) Consolidate contracts for similar services into the fewest vendors possible	\$3,014,793
(11) Reduce on-hand quantities of inventoried items and centralize warehouses	\$4,352,916
(12) Encourage vendors to identify potential cost savings	\$2,713,067
(13) Other - Related to Contracting such as reducing spending on a contract, canceling contracts, and switching vendors.	\$17,509,260
(14) Other - NOT Related to Contracting such as leaving FTE positions unfilled.	\$3,840,508
Total:	\$49,548,474

Source: Legislative Budget Board

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AGENCY SUMMARY

Article IX, Section 17.10, Contract Cost Containment, reduced appropriations at 85 state agencies by \$34.0 million in General Revenue and General Revenue – Dedicated Funds and directed all agencies and institutions that receive an appropriation in the GAA to achieve savings through contracting cost containment strategies. The 85 affected entities implemented certain strategies during the 2018-19 biennium to manage the reductions. Affected agencies reported approximately \$42.6 million in General Revenue and General Revenue-Dedicated savings. In addition, eight agencies and institutions not explicitly included in the provision reported savings of approximately \$6.9 million in General Revenue and General Revenue – Dedicated.

Sixty-two agencies reported savings in General Revenue and General Revenue – Dedicated Funds that met or exceeded the appropriations reductions from the provision. It is expected that savings in excess of the reductions identified in the provision would be used for other purposes by the affected agency or lapsed to unappropriated general revenue.

Twenty-three agencies did not identify cost savings strategies in General Revenue and General Revenue – Dedicated Funds that met their related appropriations reductions. It is assumed that these agencies absorbed the budget reduction through actions unrelated to contracting. Many reported cost savings in Federal Funds or Other Funds, but those savings were accounted for separately and noted above.

Appendix 1 provides the complete list of all reported cost savings by agency and funding source.

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Appendix 1: CONTRACT COST CONTAINMENT BY AGENCY AND FUNDING SOURCE

Article	Agency Number	Agency	General Revenue Reduction	General Revenue-Dedicated Reduction	GR Savings Realized	GR-D Savings Realized	GR/GR-D Reduction Absorbed	Federal Funds Savings Realized	Other Funds Savings Realized
		All	\$23,834,050	\$10,193,650	\$36,670,000	\$12,878,474	\$7,515,315	\$4,230,841	\$6,084,523
I	300	Trusted Programs Within the Office of the Governor	\$517,750	\$405,500	\$395,798	\$99,728	\$427,724		
I	301	Office of the Governor	\$19,500	-	\$83,790				
I	302	Office of the Attorney General	\$901,000	\$295,000	\$1,079,978	\$8,992	\$107,030	\$846,375	\$175
I	303	Facilities Commission	\$422,950	\$28,050		\$2,278,736			
I	304	Comptroller of Public Accounts	\$2,091,250	-	\$2,092,429				
I	306	Library & Archives Commission	\$233,500	-	\$233,500				
I	307	Secretary of State	\$165,750	-	\$165,750				
I	326	Texas Emergency Services Retirement System	\$23,000	-	\$16,500		\$6,500		
I	338	Pension Review Board	\$2,750	-	\$13,000	\$13,000			
I	352	Bond Review Board	\$4,500	-	\$5,184				
I	356	Texas Ethics Commission	\$34,000	-	\$35,888				
I	403	Veterans Commission	\$58,250	-	\$43,066		\$15,184	\$103,038	
I	477	Commission on State Emergency Communications	-	\$111,000		\$121,521			
I	808	Historical Commission	\$184,750	\$2,750	\$117,882	\$2,750	\$66,868		

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I	809	Preservation Board	\$210,750	-	\$311,930				\$96,177
I	813	Commission on the Arts	\$43,750	\$500	\$43,750	\$500			
I	902	Comptroller - State Fiscal	\$575,000	-	\$576,756				
II	537	Department of State Health Services	\$81,500	\$57,250	\$110,723		\$28,027	\$1,782	
III	701	Texas Education Agency	\$4,189,250	-	\$5,116,482				
III	781	Higher Education Coordinating Board	\$97,250	-	\$169,800				\$5,277
IV	201	Supreme Court of Texas	\$282,250	-	\$282,250				
IV	212	Office of Court Administration, Texas Judicial Council	\$18,050	\$50,950	\$18,407	\$50,950			
IV	213	Office of the State Prosecuting Attorney	\$250	-	\$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	-	\$2,752				
IV	222	Second Court of Appeals District, Fort Worth	\$1,300	-	\$1,300				
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				
IV	225	Fifth Court of Appeals District, Dallas	\$1,300	-	\$1,300				

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c	226	Sixth Court of Appeals District, Texarkana	\$1,300	-	\$1,336				
IV	227	Seventh Court of Appeals District, Amarillo	\$1,300	-	\$650		\$650		
IV	228	Eighth Court of Appeals District, El Paso	\$1,300	-	\$1,300				
IV	229	Ninth Court of Appeals District, Beaumont	\$1,300	-			\$1,300		
IV	230	Tenth Court of Appeals District, Waco	\$1,300	-	\$4,452				
IV	231	Eleventh Court of Appeals District, Eastland	\$1,300	-	\$1,300				
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	-	\$7,206				
IV	242	State Commission on Judicial Conduct	\$1,250	-	\$3,405				
IV	243	State Law Library	\$6,000	-	\$180		\$5,820		
V	401	Military Department	\$183,250	-	\$67,381		\$115,869	\$50,853	
V	405	Department of Public Safety	\$4,985,000	-	\$14,430,517			\$429,592	\$28,160
V	407	Commission on Law Enforcement	-	\$12,000		\$12,000			

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V	409	Commission on Jail Standards	\$2,000	-	\$9,262				
V	411	Commission on Fire Protection	\$4,750	-	\$4,750				
V	458	Alcoholic Beverage Commission	\$187,500	-	\$132,391		\$55,109		
V	644	Juvenile Justice Department	\$766,250	-	\$185,384		\$580,866		
V	696	Department of Criminal Justice	\$1,000,000	-	\$1,610,849				\$171,715
VI	305	General Land Office and Veteran's Land Board	\$585,000	\$165,000			\$750,000		
VI	535	Low-Level Radioactive Waste Disposal Compact Commission	-	\$12,250			\$12,250		
VI	455	Railroad Commission	\$97,050	\$789,200	\$235,166	\$1,158,675		\$169,301	
VI	551	Department of Agriculture	\$881,250	-		\$448,325	\$432,925		\$15,000
VI	554	Animal Health Commission	\$60,500	-	\$65,738				
VI	580	Water Development Board	\$312,500	-	\$312,500				
VI	582	Texas Commission on Environmental Quality	\$55,250	\$2,206,750	\$40,000	\$355,138	\$1,866,862		
VI	592	Soil and Water Conservation Board	\$192,000	-	\$23,000		\$169,000	\$47,515	
VI	802	Texas Parks and Wildlife Department	\$708,750	\$1,121,000	\$708,750	\$1,121,000			
VII	320	Texas Workforce Commission	\$2,685,500	\$87,000		\$67,992	\$2,704,508	\$2,558,753	

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VII	332	Department of Housing and Community Affairs	\$105,000	-	\$15,471		\$89,529	\$23,632	\$103,761
VII	362	Texas Lottery Commission	\$314,500	\$4,685,500		\$6,896,511			
VII	601	Department of Transportation	\$48,250	-			\$48,250		\$2,421,642
VII	608	Department of Motor Vehicles	\$109,750	-	\$109,750				
VIII	312	Securities Board	\$9,500	-		\$10,237			
VIII	359	Office of Public Insurance Counsel	\$1,750	-	\$71,578				
VIII	360	State Office of Administrative Hearings	\$8,750	-	\$382,343				
VIII	448	Office of Injured Employee Counsel	-	\$4,500		\$4,500			
VIII	454	Department of Insurance	\$80,150	\$119,850	\$91,502	\$137,252			
VII	456	Board of Plumbing Examiners	\$9,750	-	\$9,750				
VII	464	Board of Professional Land Surveying	\$750	-			\$750		
VII	473	Public Utility Commission of Texas	\$7,950	\$1,550	\$7,950	\$1,550			
VIII	475	Office of Public Utility Counsel	\$4,400	\$1,350	\$4,400	\$1,350			
VIII	476	Racing Commission	-	\$13,250		\$76,083			
VIII	481	Board of Professional Geoscientists	\$2,500	-	\$2,500				
VIII	503	Texas Medical Board	\$53,050	\$18,700	\$41,325	\$8,908	\$21,517		

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VIII	504	Texas State Board of Dental Examiners	\$13,250	-	\$10,384		\$2,866		
VIII	507	Texas Board of Nursing	\$66,000	-	\$66,000				
VIII	508	Texas Board of Chiropractic Examiners	\$1,500	-	\$29,076				
VIII	512	Board of Podiatric Medical Examiners	\$1,000	-	\$2,146				
VIII	513	Funeral Service Commission	\$1,250	-	\$960		\$290		
VIII	514	Optometry Board	\$1,500	-	\$205		\$1,295		
VIII	515	Board of Pharmacy	\$27,250	-	\$40,598				
VIII	520	Board of Examiners of Psychologists	\$1,500	-	\$1,692				
VIII	533	Executive Council of Physical Therapy & Occupational Therapy Examiners	\$1,750	-	\$1,750				
VIII	578	Board of Veterinary Medical Examiners	\$2,750	-	\$4,305				
VIII	452	Department of Licensing and Regulation	\$71,250	-	\$79,041				

Source: Legislative Budget Board

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Agencies and Institutions Without Appropriations Reductions That Achieved Cost Savings

Article	Agency Number	Agency	General Revenue Reduction	General Revenue-Dedicated Reduction	GR Savings Realized	GR-D Savings Realized	GR/GR-D Reduction Absorbed	Federal Funds Savings Realized	Other Funds Savings Realized
II	529	Health and Human Services Commission	-	-	\$4,897,000				
III	955	Central Texas College District	-	-					\$330,476
III	949	Collin County Community College	-	-	\$1,914,968				
III	963	Grayson College	-	-					\$10,713
III	965	Hill College	-	-	\$55,563				
III	970	McLennan Community College	-	-	\$20,485				
III	3601	Paris Junior College	-	-	\$27,433				
III	755	Stephen F. Austin State University	-	-					\$2,117,667
III	323	Teacher Retirement System	-	-					\$687,914
III	719	Texas State Technical College	-	-	\$1,277				
III	964	Trinity Valley Community College	-	-					\$50,000
III	759	University of Houston-Clear Lake	-	-		\$400			\$34,037
III	765	University of Houston-Victoria	-	-					\$11,808
IV	211	Court of Criminal Appeals	-	-	\$13,221				

Source: Legislative Budget Board