

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 46 (First Edition)

SHORT TITLE: NC Government Competition Commission

SPONSOR(S): Representative Baker

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>
REVENUES					
General Fund	Exact Savings Unknown – See Assumptions and Methodology				
EXPENDITURES					
Commerce	\$229,120	\$231,411	\$233,726	\$236,063	\$238,423
POSITIONS: (cumulative)	2	2	2	2	2
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Commerce					
EFFECTIVE DATE: This act is effective when it becomes law.					

BILL SUMMARY: The proposed legislation establishes the North Carolina Government Competition Commission, a nine-member commission appointed by the Governor, Senate and House of Representatives. The Commission’s duties include: develop a framework to encourage innovation and competition within state government; monitor agencies to ensure a spirit of innovation to compete with the private sector; promote the development and implementation of State employee adjustment and incentive programs; assess and evaluate performance of State programs and competition activities; and solicit or direct competition activities in State agencies. The Commission must report annually by February 1 its findings and recommendations to the Governor and General Assembly. The proposed legislation also directs the Office of State Budget and Management to determine the amount of an existing appropriation that would no longer be needed by a State agency as a result of savings realized through competition.

ASSUMPTIONS AND METHODOLOGY: The Department of Commerce would use state general funds to establish the North Carolina Government Competition Commission (Commission) as mandated in the legislation and only oversee the Commission with respect to the management functions of coordination and reporting. The Commission would require an initial General Fund appropriation of approximately \$230,000 to implement. This amount was

calculated using the funding level (\$218,000) for the NC Government Competition Commission when created by the General Assembly in Section 15.2C of the Appropriation Act of 1998, SL 98-0212. Maintenance and operations costs are assumed to increase 1% in subsequent years. Two positions would be required to establish and oversee the Commission's activities, including an Executive Director and staff member.

The Commission is directed to use the funds to establish a framework for competition and innovation activities within State government and to monitor and report on the success of such programs. The legislation includes responsibilities for the development and implementation of State employee adjustment and incentive programs. The funds would also be used to conduct performance reviews of any State program or activity that is subject to a competition recommendation. The Commission is allowed to enter into contracts for professional or consultant services and analyze public vs. private proposals for services.

There is no way to accurately gauge the potential cost savings realized due to competition across all State government agencies. Examples of similar programs in other states have proven financially successful. In Texas, the State Council on Competitive Government was established in 1993 and has saved the state approximately \$84 million through fiscal year 2002. There are also programs at the local government level incorporating aspects of competition, privatization and efficiency, such as Miami-Dade County, Florida. The proposed legislation directs the Office of State Budget and Management to determine the amount of existing state appropriations that would no longer be needed by State agencies as a results of any savings realized through competition. The results are to be reported to the NC General Assembly and Governor. **The savings realized by the State as a result of the NC Government Competition Commission legislation could equal reduced appropriation amounts to State agencies employing competition and innovation strategies.**

SOURCES OF DATA: Department of Commerce; Governor's historical recommended budget documentation; various local and state government agencies

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DATE: May 27, 2003



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