

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Cook

H.B. No. 2499

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the continuation and functions of the Department of  
3 Information Resources and the transfer of certain department  
4 functions to the comptroller of public accounts.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 572.054, Government Code, is amended by  
7 adding Subsection (g-1) to read as follows:

8 (g-1) For purposes of this section, the Department of  
9 Information Resources is a regulatory agency.

10 SECTION 2. Section 2054.005, Government Code, is amended to  
11 read as follows:

12 Sec. 2054.005. SUNSET PROVISION. The Department of  
13 Information Resources is subject to Chapter 325 (Texas Sunset Act).  
14 Unless continued in existence as provided by that chapter, the  
15 department is abolished and this chapter expires September 1, 2017  
16 [~~2011~~].

17 SECTION 3. Sections 2054.021(a), (c), (g), and (h),  
18 Government Code, are amended to read as follows:

19 (a) The department is governed by a board composed of seven  
20 voting members appointed by the governor with the advice and  
21 consent of the senate. One member must be employed by an  
22 institution of higher education as defined by Section 61.003,  
23 Education Code. Each member must have expertise in at least one of  
24 the following areas:

- 1           (1) business or financial management;  
2           (2) information technology;  
3           (3) telecommunications; or  
4           (4) any other area necessary for policymaking and  
5 oversight of the department.

6           (c) Three [~~Two~~] groups each composed of three ex officio  
7 members serve on the board on a rotating basis. The ex officio  
8 members serve as nonvoting members of the board. [~~Only one group~~  
9 ~~serves at a time.~~] The first group is composed of the commissioner  
10 of insurance, the executive commissioner of the Health and Human  
11 Services Commission, and the executive director of a small state  
12 agency [~~the Texas Department of Transportation~~]. [~~Members of the~~  
13 ~~first group serve for two-year terms that begin February 1 of every~~  
14 ~~other odd-numbered year and that expire on February 1 of the next~~  
15 ~~odd-numbered year.~~] The second group is composed of the executive  
16 director of the Texas Department of Transportation, the  
17 commissioner of education, and the executive director of a small  
18 state agency. The third group is composed of the executive director  
19 of the Texas Department of Criminal Justice, [~~and~~] the executive  
20 director of the Parks and Wildlife Department, and the executive  
21 director of a small state agency. Members of a [~~the second~~] group  
22 serve on the board for two-year terms that begin February 1 of [~~the~~]  
23 ~~odd-numbered years~~ [~~in which the terms of members of the first group~~  
24 ~~expire~~] and [~~that~~] expire on February 1 of the next odd-numbered  
25 year. Only one group serves at a time. The governor shall appoint  
26 the small state agency representative for each group. In this  
27 subsection, "small state agency" means a state agency with fewer

1 than 100 employees.

2 (g) The training program must provide information to the  
3 person regarding:

4 (1) this chapter and the board [~~the enabling~~  
5 ~~legislation that created the department and its policymaking body~~]  
6 to which the person is appointed to serve;

7 (2) the programs operated by the department;

8 (3) the role and functions of the department;

9 (4) the rules of the department, with an emphasis on  
10 the rules that relate to disciplinary and investigatory authority;

11 (5) the current budget for the department;

12 (6) the results of the most recent formal audit of the  
13 department;

14 (7) the requirements of the:

15 (A) open meetings law, Chapter 551;

16 (B) open records law, Chapter 552; and

17 (C) administrative procedure law, Chapter 2001;

18 (8) the requirements of the conflict of interest laws  
19 and other laws relating to public officials; [~~and~~]

20 (9) any applicable ethics policies adopted by the  
21 department or the Texas Ethics Commission; and

22 (10) contract management training.

23 (h) A person appointed to the board under Subsection (a) is  
24 entitled to reimbursement for travel expenses incurred in attending  
25 the training program, as provided by the General Appropriations Act  
26 and as if the person were a member of the board.

27 SECTION 4. Section 2054.022(c), Government Code, is amended

1 to read as follows:

2 (c) An employee of the department, other than the executive  
3 director, ~~+~~

4 ~~[(1) may not participate in the department's bidding~~  
5 ~~process, including the proposal development related to a contract~~  
6 ~~and the negotiation of a contract, if:~~

7 ~~[(A) the employee receives more than five percent~~  
8 ~~of the employee's income from any likely bidder on the contract, or~~

9 ~~[(B) the employee's spouse is employed by any~~  
10 ~~likely bidder on the contract, and~~

11 ~~[(2)]~~ may not:

12 (1) ~~[(A)]~~ be a person required to register as a  
13 lobbyist under Chapter 305 because of the person's activities for  
14 compensation on behalf of a business entity that has, or on behalf  
15 of a trade association of business entities that have, a  
16 substantial interest in the information resources technologies  
17 industry; or

18 (2) ~~[(B)]~~ be employed by a state agency as a  
19 consultant on information resources technologies.

20 SECTION 5. Section 2054.0285(b), Government Code, is  
21 amended to read as follows:

22 (b) The executive director has authority for certain ~~[all]~~  
23 aspects of information technology for state agencies, including:

24 (1) the use of technology to support state goals;

25 (2) functional support to state agencies;

26 (3) ~~[technology purchases,~~

27 ~~[(4)]~~ deployment of new technology;

1           (4) [~~(5)~~] delivery of technology services; and  
2           (5) [~~(6)~~] provision of leadership on technology  
3 issues.

4           SECTION 6. Subchapter B, Chapter 2054, Government Code, is  
5 amended by adding Section 2054.0331 to read as follows:

6           Sec. 2054.0331. CUSTOMER ADVISORY COMMITTEE. (a) The  
7 board shall appoint a customer advisory committee under Section  
8 2054.033.

9           (b) The advisory committee is composed of customers who  
10 receive services from each of the department's key programs and of  
11 members of the public, including at least:

12           (1) one member representing a state agency with fewer  
13 than 100 employees;

14           (2) one member appointed by the Information Technology  
15 Council for Higher Education; and

16           (3) one public member.

17           (c) The advisory committee shall report to and advise the  
18 board on the status of the department's delivery of critical  
19 statewide services.

20           SECTION 7. Subchapter B, Chapter 2054, Government Code, is  
21 amended by adding Sections 2054.0345 and 2054.0346 to read as  
22 follows:

23           Sec. 2054.0345. DETERMINATION OF ADMINISTRATIVE FEES. (a)  
24 The department shall adopt a process to determine the amount of the  
25 administrative fee the department charges to administer any of its  
26 programs, including fees charged for programs under Sections  
27 2054.380 and 2170.057.

1       (b) The process must require that the amount of a fee  
2 directly relate to the amount necessary for the department to  
3 recover the cost of its operations, as determined by the  
4 department's annual budget process.

5       (c) The department shall develop clear procedures directing  
6 staff for each department program and the department's financial  
7 staff to work together to determine the amount of administrative  
8 fees. The procedures must require review and approval of all  
9 administrative fees by the board, the executive director, and the  
10 department's chief financial officer.

11       Sec. 2054.0346. REPORTING OF ADMINISTRATIVE FEES. (a) The  
12 department shall report to the Legislative Budget Board all  
13 administrative fees that the department sets under Section  
14 2054.0345 each fiscal year. The report must include:

15               (1) the underlying analysis and methodology used to  
16 determine the fee amounts; and

17               (2) the cost allocation charged to customers.

18       (b) The department shall post on the department's website  
19 information about each administrative fee the department charges,  
20 including a description of how the fee is determined. The  
21 department must update this information when a contract amendment  
22 or other action results in a major change to the costs incurred or  
23 the price paid by the department or a customer of the department.

24       SECTION 8. Subchapter B, Chapter 2054, Government Code, is  
25 amended by adding Section 2054.037 to read as follows:

26       Sec. 2054.037. NEGOTIATED RULEMAKING; ALTERNATIVE DISPUTE  
27 RESOLUTION. (a) The board shall develop and implement a policy to

1 encourage the use of:

2 (1) negotiated rulemaking procedures under Chapter  
3 2008 for the adoption of department rules; and

4 (2) appropriate alternative dispute resolution  
5 procedures under Chapter 2009 to assist in the resolution of  
6 internal and external disputes under the department's  
7 jurisdiction.

8 (b) The department's procedures relating to alternative  
9 dispute resolution must conform, to the extent possible, to any  
10 model guidelines issued by the State Office of Administrative  
11 Hearings for the use of alternative dispute resolution by state  
12 agencies.

13 (c) The department shall:

14 (1) coordinate the implementation of the policy  
15 adopted under Subsection (a);

16 (2) provide training as needed to implement the  
17 procedures for negotiated rulemaking or alternative dispute  
18 resolution; and

19 (3) collect data concerning the effectiveness of those  
20 procedures.

21 SECTION 9. Subchapter B, Chapter 2054, Government Code, is  
22 amended by adding Sections 2054.038, 2054.039, and 2054.040 to read  
23 as follows:

24 Sec. 2054.038. INTERNAL AUDITOR; POWERS AND DUTIES. (a)  
25 The board shall:

26 (1) appoint an internal auditor who reports directly  
27 to the board and serves at the will of the board; and

1           (2) provide staff and other resources to the internal  
2 auditor as appropriate.

3           (b) The internal auditor shall prepare an annual audit plan  
4 using risk assessment techniques to rank high-risk functions in the  
5 department. The internal auditor shall submit the annual audit  
6 plan to the board for consideration and approval. The board may  
7 change the plan as necessary or advisable.

8           (c) The internal auditor may bring before the board an issue  
9 outside of the annual audit plan that requires the immediate  
10 attention of the board.

11           (d) The internal auditor may not be assigned any operational  
12 or management responsibilities that impair the ability of the  
13 internal auditor to make an independent examination of the  
14 department's operations. The internal auditor may provide guidance  
15 or other advice before an operational or management decision is  
16 made but may not make the decision, approve the decision, or  
17 otherwise violate this subsection.

18           (e) The department shall give the internal auditor  
19 unrestricted access to the activities and records of the department  
20 unless restricted by other law.

21           Sec. 2054.039. OPEN MEETINGS EXCEPTION FOR INTERNAL  
22 AUDITOR. A meeting between the board and the department's internal  
23 auditor to discuss issues related to fraud, waste, or abuse is not  
24 required to be an open meeting under Chapter 551.

25           Sec. 2054.040. AUDIT SUBCOMMITTEE. (a) The board shall  
26 maintain an audit subcommittee of the board. The subcommittee  
27 shall oversee the department's internal auditor and any other audit



1 issues that the board considers appropriate.

2 (b) The subcommittee shall evaluate whether the internal  
3 auditor has sufficient resources to perform the auditor's duties  
4 and ensure that sufficient resources are available.

5 SECTION 10. Subchapter B, Chapter 2054, Government Code, is  
6 amended by adding Section 2054.041 to read as follows:

7 Sec. 2054.041. ADDITIONAL BOARD OVERSIGHT. (a) The board  
8 shall adopt a policy describing the board's role in setting a  
9 strategic direction for the department. The policy must address  
10 the board's role in developing new initiatives for and service  
11 offerings by the department, including requiring the board to  
12 evaluate and approve new initiatives for, or categories of,  
13 services offered by the department under the department's various  
14 programs.

15 (b) The board shall regularly evaluate the extent to which  
16 the department fulfills the department's information resources  
17 technology mission by providing cost-effective services and  
18 meeting customer needs.

19 (c) The board shall regularly evaluate department  
20 operations, including an evaluation of analytical data and  
21 information regarding trends in department revenue and expenses, as  
22 well as performance information.

23 SECTION 11. Subchapter C, Chapter 2054, Government Code, is  
24 amended by adding Section 2054.0525 to read as follows:

25 Sec. 2054.0525. ASSISTANCE TO STATE AGENCIES. The  
26 department on request shall advise and provide technical assistance  
27 to a state agency to determine the agency's information resources

1 technology needs and to solve the agency's information resources  
2 technology problems.

3 SECTION 12. Section 2054.0565(a), Government Code, is  
4 amended to read as follows:

5 (a) The comptroller [~~department~~] may include terms in a  
6 procurement contract entered into by the comptroller [~~department~~],  
7 including a contract entered into under Section 2157.068, that  
8 allow the contract to be used by another state agency, a political  
9 subdivision of this state, a governmental entity of another state,  
10 or an assistance organization as defined by Section 2175.001.

11 SECTION 13. Section 2054.057, Government Code, is amended  
12 to read as follows:

13 Sec. 2054.057. TRAINING IN CONTRACT NEGOTIATION. (a) The  
14 [~~department, with the cooperation of the~~] comptroller and other  
15 appropriate state agencies[~~7~~] shall develop and implement a program  
16 to train state agency personnel in effectively negotiating  
17 contracts for the purchase of information resources technologies.

18 (b) The comptroller [~~department~~] shall make the training  
19 available to state agency personnel who are directly or indirectly  
20 involved in contract negotiations, such as senior or operational  
21 management, purchasers, users of the purchased technologies, and  
22 personnel with relevant technical, legal, or financial knowledge.

23 (c) The comptroller [~~department~~] shall include in the  
24 training:

25 (1) information on developing a structured purchasing  
26 method that meets an agency's needs;

27 (2) information drawn from the state's previous

1 procurement experience about what is or is not advantageous for the  
2 state;

3 (3) the perspective of state agencies with oversight  
4 responsibilities related to the state's procurement of information  
5 resources technologies; and

6 (4) other information that the comptroller  
7 [~~department~~] considers to be useful.

8 (d) The comptroller [~~department~~] may use its own staff or  
9 contract with private entities or other state agencies to conduct  
10 the training.

11 SECTION 14. Subchapter C, Chapter 2054, Government Code, is  
12 amended by adding Section 2054.061 to read as follows:

13 Sec. 2054.061. USE OF CONSULTANTS AND OUTSIDE STAFF. (a)  
14 The department shall develop clear criteria for the appropriate use  
15 of consultants and outside staff by the department to temporarily  
16 augment the department's existing staff.

17 (b) The department shall annually analyze:

18 (1) the department's staffing needs;

19 (2) the need for and cost-effectiveness of contracting  
20 for consultants and outside staff;

21 (3) whether the department could use department staff  
22 to accomplish tasks proposed for the consultants and outside staff;  
23 and

24 (4) whether and what type of training or additional  
25 resources are necessary for the department to use the department's  
26 own staff to accomplish tasks proposed for the consultants or  
27 outside staff.

1       (c) In conjunction with the budget process, the department  
2 shall provide the analysis to the board for approval. The  
3 department may not hire or train any consultants or outside staff  
4 unless it has been approved during this budget process.

5       SECTION 15. Subchapter C, Chapter 2054, Government Code, is  
6 amended by adding Section 2054.062 to read as follows:

7       Sec. 2054.062. INFORMATION       RESOURCES       TECHNOLOGIES  
8 CONSOLIDATION. (a) The department shall develop a consistent and  
9 clear method of measuring the costs and progress of an information  
10 resources technology consolidation initiative, including a  
11 consolidation under Subchapter L.

12       (b) The department shall work with any entity involved in an  
13 information resources technology consolidation to develop an  
14 agreed on methodology for collecting and validating data to  
15 determine a baseline assessment of costs. The department shall use  
16 the data both in the department's initial cost projections and in  
17 any later cost comparison. The department shall coordinate with  
18 the internal auditor for guidance, subject to Section 2054.038(d),  
19 on developing a methodology that provides an objective assessment  
20 of costs and project status.

21       (c) Using the methodology agreed on under Subsection (b),  
22 the department shall evaluate actual costs and cost savings related  
23 to the consolidation. The department shall also evaluate the  
24 progress of the department's information resources consolidation  
25 projects compared to the initially projected timelines for  
26 implementation. The evaluation results must break out the  
27 information on both statewide and individual entity levels.

1        (d) The department shall annually report the evaluation  
2 results to:

3            (1) the board;

4            (2) the Legislative Budget Board; and

5            (3) customers involved in the consolidation.

6        (e) The department shall post on the department's website  
7 the report required by this section.

8        SECTION 16. Sections 2054.1015(b), (c), (d), and (e),  
9 Government Code, are amended to read as follows:

10        (b) The comptroller [~~department~~] may require a state agency  
11 to provide [~~to the department~~] a planned procurement schedule for  
12 commodity items if the comptroller [~~department~~] determines that the  
13 information in the schedule can be used to provide a benefit to the  
14 state. If required by the comptroller [~~department~~], a state agency  
15 must provide a planned procurement schedule for commodity items to  
16 the comptroller and the department before the agency's operating  
17 plan may be approved under Section 2054.102.

18        (c) The comptroller [~~department~~] shall use information  
19 contained in the schedules to plan future vendor solicitations of  
20 commodity items or for any other activity that provides a benefit to  
21 the state.

22        (d) A state agency shall notify the comptroller  
23 [~~department~~], the Legislative Budget Board, and the state auditor's  
24 office if the agency makes a substantive change to a planned  
25 procurement schedule for commodity items.

26        (e) The comptroller [~~department~~] shall specify hardware  
27 configurations for state commodity items in its instructions for

1 the preparation of planned procurement schedules.

2 SECTION 17. Section 2054.122, Government Code, is amended  
3 to read as follows:

4 Sec. 2054.122. COORDINATED TECHNOLOGY TRAINING. A state  
5 agency each calendar quarter shall coordinate agency training for  
6 the use of information resources technologies with training offered  
7 or coordinated by the department or comptroller. The agency shall  
8 use training offered or coordinated by the department or  
9 comptroller if it meets agency requirements and is  
10 cost-competitive.

11 SECTION 18. Section 2054.124, Government Code, is amended  
12 to read as follows:

13 Sec. 2054.124. POWER MANAGEMENT SOFTWARE. (a) After  
14 researching the software available, the comptroller [~~department~~]  
15 shall by competitive bid select power management software to be  
16 used, if technically feasible, by state agencies to reduce the  
17 amount of energy required to operate state computer networks and  
18 networked personal computers.

19 (b) [~~(c)~~] An institution of higher education shall  
20 purchase, lease, or otherwise acquire and use power management  
21 software only if the comptroller [~~department~~], in consultation with  
22 the Information Technology Council for Higher Education,  
23 determines that the institution of higher education's use of power  
24 management software would provide cost savings to this state. In  
25 making a determination under this subsection, the comptroller  
26 [~~department~~] must perform the analysis described by Section  
27 2054.121(c) in the same manner as the department under that

1 subsection. The analysis must include an assessment of how the use  
2 of power management software affects the security of electronic  
3 data, including data protected from public disclosure by state or  
4 federal law.

5 SECTION 19. Subchapter L, Chapter 2054, Government Code, is  
6 amended by adding Section 2054.392 to read as follows:

7 Sec. 2054.392. STATEWIDE TECHNOLOGY ACCOUNT. The  
8 comptroller shall establish in the state treasury the statewide  
9 technology account. The account is a revolving fund account for the  
10 administration of this subchapter. The account is the depository  
11 for all money received from entities served under this subchapter.  
12 Money in the account may be used only for the operation and  
13 management of a statewide technology center or for any other  
14 purpose specified by the legislature.

15 SECTION 20. Chapter 2054, Government Code, is amended by  
16 adding Subchapters N and O to read as follows:

17 SUBCHAPTER N. MAJOR OUTSOURCED CONTRACTS

18 Sec. 2054.501. MAJOR OUTSOURCED CONTRACT DEFINED; RULE.  
19 The board by rule shall define what constitutes a major outsourced  
20 contract with regard to contracts the department executes with  
21 entities other than this state or a political subdivision of this  
22 state. The definition must include as a major outsourced contract:

- 23 (1) outsourced contracts entered into under  
24 Subchapter I and Subchapter L of this chapter or Chapter 2170; and  
25 (2) contracts that exceed a monetary threshold, other  
26 than those described by Subdivision (1).

27 Sec. 2054.502. BOARD APPROVAL AND OVERSIGHT OF MAJOR

1 OUTSOURCED CONTRACTS. (a) The department must receive approval  
2 from the board before:

3 (1) entering into a major outsourced contract; or

4 (2) amending any major outsourced contract, if the  
5 amendment has significant statewide impact.

6 (b) The board shall establish one or more subcommittees to  
7 monitor the department's major outsourced contracts.

8 Sec. 2054.503. MANAGEMENT PLANS FOR MAJOR OUTSOURCED  
9 CONTRACTS. (a) The department shall specify procedures for  
10 administering, monitoring, and overseeing each major outsourced  
11 contract by creating a management plan for each contract. In each  
12 management plan, the department shall specify the department's  
13 approach to managing and mitigating the risks inherent in each  
14 contract.

15 (b) Department staff who perform contract administration  
16 and program duties shall jointly develop the management plans with  
17 input from executive management and the board. Each management plan  
18 must be approved by the executive director.

19 (c) Each management plan must establish clear lines of  
20 accountability and coordination of contract activities. The plan  
21 must provide details about implementing the program that is the  
22 subject of the contract as well as procedures for monitoring  
23 contractor performance, identifying and mitigating risks related  
24 to the contract, and involving and communicating with customers who  
25 will be served by any programs implemented through the contract. As  
26 appropriate, the plan must define an approach for transitioning  
27 from one major outsourced contract to another major outsourced



1 contract.

2 (d) The department shall revise each management plan:

3 (1) as necessary to keep current during the  
4 contracting process; and

5 (2) when the department renews, amends, or resolicits  
6 a major outsourced contract to ensure the plan remains updated and  
7 incorporates any changes resulting from a new contract.

8 Sec. 2054.504. CUSTOMER INVOLVEMENT IN MAJOR OUTSOURCED  
9 CONTRACTS. The department shall establish formal procedures to  
10 ensure customer involvement in decision making regarding each of  
11 the department's major outsourced contracts, including initial  
12 analysis, solicitation development, and contract award and  
13 implementation, that affect those customers.

14 SUBCHAPTER O. ADDITIONAL PROVISIONS ON CONTRACTING

15 Sec. 2054.531. DEFINITION. In this subchapter, "contract  
16 management guide" means the guide developed under this subchapter.

17 Sec. 2054.532. RULES. In addition to the rules adopted  
18 under Subchapter N for major outsourced contracts, the board by  
19 rule shall establish approval requirements for all other contracts,  
20 including a monetary threshold above which board approval is  
21 required before the contract may be executed.

22 Sec. 2054.533. CONFLICT OF INTEREST IN CONTRACTING. (a) A  
23 department employee may not:

24 (1) have an interest in, or in any manner be connected  
25 with, a contract or bid for a purchase of goods or services by the  
26 department; or

27 (2) in any manner, including by rebate or gift,

1 directly or indirectly accept or receive from a person to whom a  
2 contract may be awarded anything of value or a promise, obligation,  
3 or contract for future reward or compensation.

4 (b) A department employee who violates Subsection (a)(2) is  
5 subject to dismissal.

6 (c) The board shall adopt rules to implement this section.

7 (d) The department shall train staff in the requirements of  
8 this section and Section 572.054 and incorporate the requirements  
9 into the contract management guide and the department's internal  
10 policies, including employee manuals.

11 Sec. 2054.534. CONTRACT MANAGEMENT TRAINING POLICY. (a)  
12 The department shall develop a policy for training department staff  
13 in contract management.

14 (b) The policy must establish contract management training  
15 requirements for all staff involved in contract management,  
16 including contract managers, program staff, and executive  
17 management.

18 (c) The policy must specify the department's overall  
19 approach to procuring and managing contracts, as well as  
20 contract-specific procedures developed in the contract management  
21 guide and under Subchapter N.

22 Sec. 2054.535. CONTRACT MANAGEMENT GUIDE; RULES. (a) The  
23 department shall develop and periodically update a contract  
24 management guide to provide an overall, consistent approach on  
25 procurement and management of major outsourced contracts under  
26 Subchapter N and other contracts. In updating the guide, the  
27 department shall make changes based on contract experiences and

1 account for changing conditions to guide the updates.

2 (b) The department shall coordinate with the department's  
3 internal auditor, subject to Section 2054.038(d), as needed for  
4 assistance and guidance in developing procedures in the contract  
5 management guide for monitoring contracts and individual  
6 contractors.

7 (c) The board may adopt rules necessary to develop or update  
8 the contract management guide.

9 (d) The contract management guide must provide information  
10 regarding the department's:

11 (1) general approach to business case analysis,  
12 procurement planning, contract solicitation, contract execution,  
13 and contract monitoring and oversight;

14 (2) ethics standards and policies, including those  
15 required by Section 2054.533; and

16 (3) approach to changing a program's internal  
17 structure or model for delivering services to customers.

18 (e) The contract management guide must:

19 (1) establish clear lines of accountability, staff  
20 roles and responsibilities, and decision-making authority for  
21 program staff, contract management staff, executive management,  
22 customers, and the board;

23 (2) include the procedures established under Section  
24 2054.504 regarding customer involvement; and

25 (3) establish the department's process for evaluating  
26 and managing risk during each stage of contract procurement,  
27 implementation, and management.

1        (f) The contract management guide must describe the  
2 expectations and standards for obtaining and using customer input  
3 during all contract management phases.

4        SECTION 21. Sections 2155.502(a), (b), and (c), Government  
5 Code, are amended to read as follows:

6        (a) The comptroller [~~commission~~] shall develop a schedule  
7 of multiple award contracts that have been previously awarded using  
8 a competitive process by:

9            (1) the federal government, including the federal  
10 General Services Administration; or

11            (2) any other governmental entity in any state.

12        (b) In developing a schedule under Subsection (a) [~~or (e)~~],  
13 the comptroller [~~commission or department, as appropriate,~~] shall  
14 modify any contractual terms, with the agreement of the parties to  
15 the contract, as necessary to comply with any federal or state  
16 requirements, including rules adopted under this subchapter.

17        (c) The comptroller [~~commission~~] may not list a multiple  
18 award contract on a schedule developed under Subsection (a) if the  
19 goods or services provided by that contract:

20            (1) are available from only one vendor; or

21            (2) are telecommunications services, facilities, or  
22 equipment [~~or~~

23            [~~(3) are commodity items as defined by Section~~  
24 ~~2157.068(a)~~].

25        SECTION 22. Section 2155.503, Government Code, is amended  
26 to read as follows:

27        Sec. 2155.503. RULES. (a) The comptroller [~~and the~~

1 ~~department]~~ shall adopt rules to implement this subchapter. The  
2 rules must:

3 (1) establish standard terms for contracts listed on a  
4 schedule; and

5 (2) maintain consistency with existing purchasing  
6 standards.

7 (b) The comptroller [~~and the department]~~ shall consult with  
8 the attorney general in developing rules under this section.

9 SECTION 23. Section 2157.004, Government Code, is amended  
10 to read as follows:

11 Sec. 2157.004. TRANSFERS AND LOANS. A state agency that  
12 acquires a telecommunications device, system, or service or an  
13 automated information system by interagency transfer, contract, or  
14 loan, or by public loan, shall comply with the requirements that  
15 apply to that acquisition under [of] Chapter 2054 and this chapter.

16 SECTION 24. Section 2157.068, Government Code, is amended  
17 to read as follows:

18 Sec. 2157.068. PURCHASE OF INFORMATION TECHNOLOGY  
19 COMMODITY ITEMS. (a) In this section, "commodity items" means  
20 commercial software, hardware, or technology services, other than  
21 telecommunications services, that are generally available to  
22 businesses or the public and for which the comptroller [~~department]~~  
23 determines that a reasonable demand exists in two or more state  
24 agencies. The term includes seat management, through which a state  
25 agency transfers its personal computer equipment and service  
26 responsibilities to a private vendor to manage the personal  
27 computing needs for each desktop in the state agency, including all

1 necessary hardware, software, and support services.

2 (b) The comptroller [~~department~~] shall negotiate with  
3 vendors to attempt to obtain a favorable price for all of state  
4 government on licenses for commodity items, based on the aggregate  
5 volume of purchases expected to be made by the state. The terms and  
6 conditions of a license agreement between a vendor and the  
7 comptroller [~~department~~] under this section may not be less  
8 favorable to the state than the terms of similar license agreements  
9 between the vendor and retail distributors.

10 (c) In contracting for commodity items under this section,  
11 the comptroller [~~department~~] shall make good faith efforts to  
12 provide contracting opportunities for, and to increase contract  
13 awards to, historically underutilized businesses and persons with  
14 disabilities' products and services available under Chapter 122,  
15 Human Resources Code.

16 (d) The comptroller [~~department~~] may charge a reasonable  
17 administrative fee to a state agency, political subdivision of this  
18 state, or governmental entity of another state that purchases  
19 commodity items through the comptroller [~~department~~] in an amount  
20 that is sufficient to recover costs associated with the  
21 administration of this section. The comptroller shall develop a  
22 clear procedure for calculating the fee under this subsection,  
23 including procedures for review and approval of the fee.

24 (e) The comptroller [~~department~~] shall compile and maintain  
25 a list of commodity items available for purchase through the  
26 comptroller [~~department~~] that have a lower price than the prices  
27 for commodity items otherwise available to state agencies under

1 this chapter. The comptroller [~~department~~] shall make the list  
2 available on the comptroller's website [~~world wide web or on a~~  
3 ~~suitable successor to the world wide web if the technological~~  
4 ~~developments involving the Internet make it advisable to do so~~].

5 (f) The comptroller [~~department~~] may adopt rules regulating  
6 a purchase by a state agency of a commodity item under this section,  
7 including a requirement that, notwithstanding other provisions of  
8 this chapter, the agency must make the purchase in accordance with a  
9 contract developed by the comptroller [~~department~~] unless the  
10 agency obtains:

- 11 (1) an exemption from the comptroller [~~department~~]; or  
12 (2) express prior approval from the Legislative Budget  
13 Board for the expenditure necessary for the purchase.

14 (g) The Legislative Budget Board's approval of a biennial  
15 operating plan under Section 2054.102 is not an express prior  
16 approval for purposes of Subsection (f)(2). A state agency must  
17 request an exemption from the comptroller [~~department~~] under  
18 Subsection (f)(1) before seeking prior approval from the  
19 Legislative Budget Board under Subsection (f)(2).

20 (h) The comptroller [~~department~~] shall, in cooperation with  
21 state agencies, establish guidelines for the classification of  
22 commodity items under this section. The comptroller [~~department~~]  
23 may determine when a statewide vendor solicitation for a commodity  
24 item will reduce purchase prices for a state agency.

25 (i) Unless the agency has express statutory authority to  
26 employ a best value purchasing method other than a purchasing  
27 method designated by the comptroller [~~commission~~] under Section

1 2157.006(a)(2), a state agency shall use a purchasing method  
2 provided by Section 2157.006(a) when purchasing a commodity item  
3 if:

4 (1) the agency has obtained an exemption from the  
5 comptroller [~~department~~] or approval from the Legislative Budget  
6 Board under Subsection (f); or

7 (2) the agency is otherwise exempt from this section.

8 SECTION 25. Subchapter B, Chapter 2157, Government Code, is  
9 amended by adding Section 2157.0685 to read as follows:

10 Sec. 2157.0685. REPORTING OF ADMINISTRATIVE FEES FOR  
11 COMMODITY ITEMS. (a) The comptroller shall report to the  
12 Legislative Budget Board any administrative fee the comptroller  
13 sets under Section 2157.068 for each fiscal year. The report must  
14 include the underlying analysis and methodology used to determine  
15 the fee amounts.

16 (b) The comptroller shall post on the comptroller's website  
17 information about the fee, including a description of how the fee is  
18 determined. The comptroller must update this information when a  
19 contract amendment or other action results in a major change to the  
20 costs incurred or the price paid by the comptroller or a customer of  
21 the comptroller.

22 SECTION 26. Subchapter B, Chapter 2157, Government Code, is  
23 amended by adding Section 2157.069 to read as follows:

24 Sec. 2157.069. CLEARING FUND ACCOUNT. The comptroller  
25 shall establish in the state treasury the clearing fund account.  
26 The account is a revolving fund account for the administration of  
27 Section 2157.068. The account is the depository for all money



1 received from entities served under that section. Money in the  
2 account may be used only to administer that section or for any other  
3 purpose specified by the legislature.

4 SECTION 27. Section 2157.121, Government Code, is amended  
5 to read as follows:

6 Sec. 2157.121. ACQUISITION THROUGH COMPETITIVE SEALED  
7 PROPOSALS. (a) The comptroller [~~commission~~] or other state agency  
8 may acquire a telecommunications device, system, or service or an  
9 automated information system by using competitive sealed proposals  
10 if the comptroller [~~commission~~] determines that competitive sealed  
11 bidding and informal competitive bidding are not practical or are  
12 disadvantageous to the state.

13 (b) A state agency, other than the department under  
14 Subsection (c), shall send its proposal specifications and criteria  
15 to the comptroller [~~commission~~] for approval or request the  
16 comptroller [~~commission~~] to develop the proposal specifications  
17 and criteria.

18 (c) The department may acquire a telecommunications device,  
19 system, or service [~~or an automated information system~~] by using  
20 competitive sealed proposals without regard to whether the  
21 comptroller [~~commission~~] makes the determination required under  
22 Subsection (a) for other state agencies. This subsection applies  
23 only to an acquisition under Subchapter H, Chapter 2054, or under  
24 Chapter 2170.

25 SECTION 28. Section 2157.181(a), Government Code, is  
26 amended to read as follows:

27 (a) The comptroller [~~commission, with the concurrence of~~

1 ~~the department,~~] may negotiate with vendors preapproved terms and  
2 conditions to be included in contracts relating to the purchase or  
3 lease of [~~a telecommunication device, system, or service or~~] an  
4 automated information system awarded to a vendor by a state agency.

5 SECTION 29. Section 2157.182, Government Code, is amended  
6 to read as follows:

7 Sec. 2157.182. VALIDITY OF PREAPPROVED TERMS AND  
8 CONDITIONS; RENEGOTIATION. (a) Preapproved terms and conditions  
9 to which a vendor[~~, the commission,~~] and the comptroller  
10 [~~department~~] agree are valid for two years after the date of the  
11 agreement and must provide that the terms and conditions are to be  
12 renegotiated before the end of the two years.

13 (b) The comptroller [~~commission and the department jointly~~]  
14 shall establish procedures to ensure that terms and conditions are  
15 renegotiated before they expire in a contract between the vendor  
16 and a state agency.

17 SECTION 30. Section 2157.184, Government Code, is amended  
18 to read as follows:

19 Sec. 2157.184. NOTIFICATION OF STATE AGENCIES AND VENDORS.  
20 The comptroller [~~commission and the department jointly~~] shall  
21 establish procedures to notify state agencies and potential vendors  
22 of the provisions of this subchapter regarding preapproved terms  
23 and conditions.

24 SECTION 31. Sections 2054.024(c), 2155.501(1),  
25 2155.502(e), 2157.0611, and 2157.181(b), Government Code, are  
26 repealed.

27 SECTION 32. (a) Not later than September 1, 2011, the

1 governor shall appoint the initial members of the governing board  
2 of the Department of Information Resources under Section 2054.021,  
3 Government Code, as amended by this Act. The governor shall  
4 appoint:

- 5 (1) two members whose terms expire February 1, 2013;
- 6 (2) two members whose terms expire February 1, 2015;
- 7 and
- 8 (3) three members whose terms expire February 1, 2017.

9 (b) The terms of the current members of the board expire  
10 September 1, 2011.

11 SECTION 33. (a) Not later than September 1, 2011, the  
12 first group of ex officio members shall begin serving or be  
13 appointed under Section 2054.021(c), Government Code, as amended by  
14 this Act.

15 (b) The governor shall appoint to the first group an ex  
16 officio member from a state agency with 100 or fewer employees under  
17 Section 2054.021(c), Government Code, as amended by this Act. When  
18 that member is appointed, the term of the executive director of the  
19 Texas Department of Transportation expires.

20 (c) The commissioner of insurance and the executive  
21 commissioner of the Health and Human Services Commission shall  
22 continue to serve in the first group under Section 2054.021(c),  
23 Government Code, as amended by this Act, until February 1, 2013.

24 SECTION 34. (a) In this section, "department" means the  
25 Department of Information Resources.

26 (b) On the effective date of this Act, the powers and duties  
27 of the department under Section 2157.068, Government Code, or other

1 law relating to information and communications technology  
2 cooperative contracts are transferred to the comptroller.

3 (c) The department shall work in cooperation with and at the  
4 direction of the comptroller to facilitate the transfer described  
5 by this section.

6 (d) A rule, form, policy, procedure, or decision of the  
7 department that is related to a power or duty transferred under  
8 Subsection (b) of this section continues in effect as a rule, form,  
9 policy, procedure, or decision of the comptroller until superseded  
10 by an act of the comptroller.

11 (e) A court case, administrative proceeding, contract  
12 negotiation, or other proceeding involving the department that is  
13 related to a power or duty transferred under Subsection (b) of this  
14 section is transferred without change in status to the comptroller,  
15 and the comptroller assumes, without a change in status, the  
16 position of the department in a negotiation or proceeding relating  
17 to a power or duty transferred under Subsection (b) of this section  
18 to which the department is a party.

19 (f) All department employees who primarily perform duties  
20 related to a power or duty transferred under Subsection (b) of this  
21 section, including employees who provide administrative support  
22 for those powers or duties, are transferred to the office of the  
23 comptroller. A management employee of the department who is  
24 transferred to the office of the comptroller under this section  
25 does not automatically continue to hold the person's management  
26 position. To hold the management position on other than an interim  
27 basis, the person must apply for the position with the comptroller.

1 (g) All personal property, including records, in the  
2 custody of the department related to a power or duty transferred  
3 under Subsection (b) of this section is transferred to and becomes  
4 the property of the comptroller.

5 (h) All contracts, memoranda of understanding, leases, and  
6 rights of the department related to a power or duty transferred  
7 under Subsection (b) of this section are transferred to the  
8 comptroller.

9 (i) All money appropriated by the legislature to the  
10 department related to a power or duty transferred under Subsection  
11 (b) of this section, including money for providing administrative  
12 support, is transferred to the comptroller.

13 SECTION 35. The comptroller may not terminate a contract  
14 entered into by the Department of Information Resources that is  
15 transferred to the comptroller under this Act.

16 SECTION 36. Sections 2054.502 and 2054.533, Government  
17 Code, as added by this Act, apply only to a contract for which a  
18 solicitation of bids or proposals or similar expressions of  
19 interest is published on or after September 1, 2011. A contract for  
20 which a solicitation of bids or proposals or similar expressions of  
21 interest is published before September 1, 2011, is governed by the  
22 law in effect on the date the state agency first publishes the  
23 solicitation of bids or proposals or similar expressions of  
24 interest, and the former law is continued in effect for that  
25 purpose.

26 SECTION 37. This Act takes effect September 1, 2011.

**ADOPTED**

MAY 19 2011

*Atty. Gen.*  
Secretary of the Senate

By: *[Signature]*

H.B. No. 2499

Substitute the following for H.B. No. 2499:

By: *[Signature]*

C.S. H.B. No. 2499

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to the continuation and functions of the Department of  
3 Information Resources and the transfer of certain department  
4 functions to the comptroller of public accounts.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 572.054, Government Code, is amended by  
7 adding Subsection (g-1) to read as follows:

8 (g-1) For purposes of this section, the Department of  
9 Information Resources is a regulatory agency.

10 SECTION 2. Section 2054.005, Government Code, is amended to  
11 read as follows:

12 Sec. 2054.005. SUNSET PROVISION. The Department of  
13 Information Resources is subject to Chapter 325 (Texas Sunset Act).  
14 Unless continued in existence as provided by that chapter, the  
15 department is abolished and this chapter expires September 1, 2017  
16 [~~2011~~].

17 SECTION 3. Sections 2054.021(a), (c), (g), and (h),  
18 Government Code, are amended to read as follows:

19 (a) The department is governed by a board composed of seven  
20 voting members appointed by the governor with the advice and  
21 consent of the senate. One member must be employed by an  
22 institution of higher education as defined by Section 61.003,  
23 Education Code. Each member must have expertise in at least one of  
24 the following areas:

1           (1) business or financial management;  
2           (2) information technology;  
3           (3) telecommunications; or  
4           (4) any other area necessary for policymaking and  
5 oversight of the department.

6           (c) Three [~~Two~~] groups each composed of three ex officio  
7 members serve on the board on a rotating basis. The ex officio  
8 members serve as nonvoting members of the board. [~~Only one group~~  
9 ~~serves at a time.~~] The first group is composed of the commissioner  
10 of insurance, the executive commissioner of the Health and Human  
11 Services Commission, and the executive director of a small state  
12 agency [~~the Texas Department of Transportation~~]. [~~Members of the~~  
13 ~~first group serve for two-year terms that begin February 1 of every~~  
14 ~~other odd-numbered year and that expire on February 1 of the next~~  
15 ~~odd-numbered year.~~] The second group is composed of the executive  
16 director of the Texas Department of Transportation, the  
17 commissioner of education, and the executive director of a small  
18 state agency. The third group is composed of the executive director  
19 of the Texas Department of Criminal Justice, [~~and~~] the executive  
20 director of the Parks and Wildlife Department, and the executive  
21 director of a small state agency. Members of a [~~the second~~] group  
22 serve on the board for two-year terms that begin February 1 of [~~the~~]  
23 odd-numbered years [~~in which the terms of members of the first group~~  
24 ~~expire~~] and [~~that~~] expire on February 1 of the next odd-numbered  
25 year. Only one group serves at a time. The governor shall appoint  
26 the small state agency representative for each group. In this  
27 subsection, "small state agency" means a state agency with fewer

1 than 100 employees.

2 (g) The training program must provide information to the  
3 person regarding:

4 (1) this chapter and the board [~~the enabling~~  
5 ~~legislation that created the department and its policymaking body~~]  
6 to which the person is appointed to serve;

7 (2) the programs operated by the department;

8 (3) the role and functions of the department;

9 (4) the rules of the department, with an emphasis on  
10 the rules that relate to disciplinary and investigatory authority;

11 (5) the current budget for the department;

12 (6) the results of the most recent formal audit of the  
13 department;

14 (7) the requirements of the:

15 (A) open meetings law, Chapter 551;

16 (B) open records law, Chapter 552; and

17 (C) administrative procedure law, Chapter 2001;

18 (8) the requirements of the conflict of interest laws  
19 and other laws relating to public officials; ~~and~~

20 (9) any applicable ethics policies adopted by the  
21 department or the Texas Ethics Commission; and

22 (10) contract management training.

23 (h) A person appointed to the board under Subsection (a) is  
24 entitled to reimbursement for travel expenses incurred in attending  
25 the training program, as provided by the General Appropriations Act  
26 and as if the person were a member of the board.

27 SECTION 4. Section 2054.022(c), Government Code, is amended



1 to read as follows:

2 (c) An employee of the department, other than the executive  
3 director, ~~[+~~

4 ~~[(1) may not participate in the department's bidding~~  
5 ~~process, including the proposal development related to a contract~~  
6 ~~and the negotiation of a contract, if:~~

7 ~~[(A) the employee receives more than five percent~~  
8 ~~of the employee's income from any likely bidder on the contract, or~~

9 ~~[(B) the employee's spouse is employed by any~~  
10 ~~likely bidder on the contract, and~~

11 ~~[(2)] may not:~~

12 (1) ~~[(A)]~~ be a person required to register as a  
13 lobbyist under Chapter 305 because of the person's activities for  
14 compensation on behalf of a business entity that has, or on behalf  
15 of a trade association of business entities that have, a  
16 substantial interest in the information resources technologies  
17 industry; or

18 (2) ~~[(B)]~~ be employed by a state agency as a  
19 consultant on information resources technologies.

20 SECTION 5. Section 2054.0285(b), Government Code, is  
21 amended to read as follows:

22 (b) The executive director has authority for certain ~~[all]~~  
23 aspects of information technology for state agencies, including:

24 (1) the use of technology to support state goals;

25 (2) functional support to state agencies;

26 (3) ~~[technology purchases,~~

27 ~~[(4)]~~ deployment of new technology;

1           (4) [~~5~~] delivery of technology services; and  
2           (5) [~~6~~] provision of leadership on technology  
3 issues.

4           SECTION 6. Subchapter B, Chapter 2054, Government Code, is  
5 amended by adding Section 2054.0331 to read as follows:

6           Sec. 2054.0331. CUSTOMER ADVISORY COMMITTEE. (a) The  
7 board shall appoint a customer advisory committee under Section  
8 2054.033.

9           (b) The advisory committee is composed of customers who  
10 receive services from each of the department's key programs and of  
11 members of the public, including at least:

12           (1) one member representing a state agency with fewer  
13 than 100 employees;

14           (2) one member appointed by the Information Technology  
15 Council for Higher Education; and

16           (3) one public member.

17           (c) The advisory committee shall report to and advise the  
18 board on the status of the department's delivery of critical  
19 statewide services.

20           SECTION 7. Subchapter B, Chapter 2054, Government Code, is  
21 amended by adding Sections 2054.0345 and 2054.0346 to read as  
22 follows:

23           Sec. 2054.0345. DETERMINATION OF ADMINISTRATIVE FEES. (a)  
24 The department shall adopt a process to determine the amount of the  
25 administrative fee the department charges to administer any of its  
26 programs, including fees charged for programs under Sections  
27 2054.380 and 2170.057.

1           (b) The process must require that the amount of a fee  
2 directly relate to the amount necessary for the department to  
3 recover the cost of its operations, as determined by the  
4 department's annual budget process.

5           (c) The department shall develop clear procedures directing  
6 staff for each department program and the department's financial  
7 staff to work together to determine the amount of administrative  
8 fees. The procedures must require review and approval of all  
9 administrative fees by the board, the executive director, and the  
10 department's chief financial officer.

11           Sec. 2054.0346. REPORTING OF ADMINISTRATIVE FEES. (a) The  
12 department shall report to the Legislative Budget Board all  
13 administrative fees that the department sets under Section  
14 2054.0345 each fiscal year. The report must include:

15                   (1) the underlying analysis and methodology used to  
16 determine the fee amounts; and

17                   (2) the cost allocation charged to customers.

18           (b) The department shall post on the department's website  
19 information about each administrative fee the department charges,  
20 including a description of how the fee is determined. The  
21 department must update this information when a contract amendment  
22 or other action results in a major change to the costs incurred or  
23 the price paid by the department or a customer of the department.

24           SECTION 8. Subchapter B, Chapter 2054, Government Code, is  
25 amended by adding Section 2054.037 to read as follows:

26           Sec. 2054.037. NEGOTIATED RULEMAKING; ALTERNATIVE DISPUTE  
27 RESOLUTION. (a) The board shall develop and implement a policy to

1 encourage the use of:

2 (1) negotiated rulemaking procedures under Chapter  
3 2008 for the adoption of department rules; and

4 (2) appropriate alternative dispute resolution  
5 procedures under Chapter 2009 to assist in the resolution of  
6 internal and external disputes under the department's  
7 jurisdiction.

8 (b) The department's procedures relating to alternative  
9 dispute resolution must conform, to the extent possible, to any  
10 model guidelines issued by the State Office of Administrative  
11 Hearings for the use of alternative dispute resolution by state  
12 agencies.

13 (c) The department shall:

14 (1) coordinate the implementation of the policy  
15 adopted under Subsection (a);

16 (2) provide training as needed to implement the  
17 procedures for negotiated rulemaking or alternative dispute  
18 resolution; and

19 (3) collect data concerning the effectiveness of those  
20 procedures.

21 SECTION 9. Subchapter B, Chapter 2054, Government Code, is  
22 amended by adding Sections 2054.038, 2054.039, and 2054.040 to read  
23 as follows:

24 Sec. 2054.038. INTERNAL AUDITOR; POWERS AND DUTIES. (a)  
25 The board shall:

26 (1) appoint an internal auditor who reports directly  
27 to the board and serves at the will of the board; and

1           (2) provide staff and other resources to the internal  
2 auditor as appropriate.

3           (b) The internal auditor shall prepare an annual audit plan  
4 using risk assessment techniques to rank high-risk functions in the  
5 department. The internal auditor shall submit the annual audit  
6 plan to the board for consideration and approval. The board may  
7 change the plan as necessary or advisable.

8           (c) The internal auditor may bring before the board an issue  
9 outside of the annual audit plan that requires the immediate  
10 attention of the board.

11           (d) The internal auditor may not be assigned any operational  
12 or management responsibilities that impair the ability of the  
13 internal auditor to make an independent examination of the  
14 department's operations. The internal auditor may provide guidance  
15 or other advice before an operational or management decision is  
16 made but may not make the decision, approve the decision, or  
17 otherwise violate this subsection.

18           (e) The department shall give the internal auditor  
19 unrestricted access to the activities and records of the department  
20 unless restricted by other law.

21           Sec. 2054.039. OPEN MEETINGS EXCEPTION FOR INTERNAL  
22 AUDITOR. A meeting between the board and the department's internal  
23 auditor to discuss issues related to fraud, waste, or abuse is not  
24 required to be an open meeting under Chapter 551.

25           Sec. 2054.040. AUDIT SUBCOMMITTEE. (a) The board shall  
26 maintain an audit subcommittee of the board. The subcommittee  
27 shall oversee the department's internal auditor and any other audit

1 issues that the board considers appropriate.

2 (b) The subcommittee shall evaluate whether the internal  
3 auditor has sufficient resources to perform the auditor's duties  
4 and ensure that sufficient resources are available.

5 SECTION 10. Subchapter B, Chapter 2054, Government Code, is  
6 amended by adding Section 2054.041 to read as follows:

7 Sec. 2054.041. ADDITIONAL BOARD OVERSIGHT. (a) The board  
8 shall adopt a policy describing the board's role in setting a  
9 strategic direction for the department. The policy must address  
10 the board's role in developing new initiatives for and service  
11 offerings by the department, including requiring the board to  
12 evaluate and approve new initiatives for, or categories of,  
13 services offered by the department under the department's various  
14 programs.

15 (b) The board shall regularly evaluate the extent to which  
16 the department fulfills the department's information resources  
17 technology mission by providing cost-effective services and  
18 meeting customer needs.

19 (c) The board shall regularly evaluate department  
20 operations, including an evaluation of analytical data and  
21 information regarding trends in department revenue and expenses, as  
22 well as performance information.

23 SECTION 11. Subchapter C, Chapter 2054, Government Code, is  
24 amended by adding Section 2054.0525 to read as follows:

25 Sec. 2054.0525. ASSISTANCE TO STATE AGENCIES. The  
26 department on request shall advise and provide technical assistance  
27 to a state agency to determine the agency's information resources

1 technology needs and to solve the agency's information resources  
2 technology problems.

3 SECTION 12. Section 2054.0565(a), Government Code, is  
4 amended to read as follows:

5 (a) The comptroller [~~department~~] may include terms in a  
6 procurement contract entered into by the comptroller [~~department~~],  
7 including a contract entered into under Section 2157.068, that  
8 allow the contract to be used by another state agency, a political  
9 subdivision of this state, a governmental entity of another state,  
10 or an assistance organization as defined by Section 2175.001.

11 SECTION 13. Section 2054.057, Government Code, is amended  
12 to read as follows:

13 Sec. 2054.057. TRAINING IN CONTRACT NEGOTIATION. (a) The  
14 [~~department, with the cooperation of the~~] comptroller and other  
15 appropriate state agencies[~~r~~] shall develop and implement a program  
16 to train state agency personnel in effectively negotiating  
17 contracts for the purchase of information resources technologies.

18 (b) The comptroller [~~department~~] shall make the training  
19 available to state agency personnel who are directly or indirectly  
20 involved in contract negotiations, such as senior or operational  
21 management, purchasers, users of the purchased technologies, and  
22 personnel with relevant technical, legal, or financial knowledge.

23 (c) The comptroller [~~department~~] shall include in the  
24 training:

25 (1) information on developing a structured purchasing  
26 method that meets an agency's needs;

27 (2) information drawn from the state's previous

1 procurement experience about what is or is not advantageous for the  
2 state;

3 (3) the perspective of state agencies with oversight  
4 responsibilities related to the state's procurement of information  
5 resources technologies; and

6 (4) other information that the comptroller  
7 [~~department~~] considers to be useful.

8 (d) The comptroller [~~department~~] may use its own staff or  
9 contract with private entities or other state agencies to conduct  
10 the training.

11 SECTION 14. Subchapter C, Chapter 2054, Government Code, is  
12 amended by adding Section 2054.061 to read as follows:

13 Sec. 2054.061. USE OF CONSULTANTS AND OUTSIDE STAFF. (a)  
14 The department shall develop clear criteria for the appropriate use  
15 of consultants and outside staff by the department to temporarily  
16 augment the department's existing staff.

17 (b) The department shall annually analyze:

18 (1) the department's staffing needs;

19 (2) the need for and cost-effectiveness of contracting  
20 for consultants and outside staff;

21 (3) whether the department could use department staff  
22 to accomplish tasks proposed for the consultants and outside staff;  
23 and

24 (4) whether and what type of training or additional  
25 resources are necessary for the department to use the department's  
26 own staff to accomplish tasks proposed for the consultants or  
27 outside staff.



1       (c) In conjunction with the budget process, the department  
2 shall provide the analysis to the board for approval. The  
3 department may not hire or train any consultants or outside staff  
4 unless it has been approved during this budget process.

5       SECTION 15. Subchapter C, Chapter 2054, Government Code, is  
6 amended by adding Section 2054.062 to read as follows:

7       Sec. 2054.062. INFORMATION       RESOURCES       TECHNOLOGIES  
8 CONSOLIDATION. (a) The department shall develop a consistent and  
9 clear method of measuring the costs and progress of an information  
10 resources technology consolidation initiative, including a  
11 consolidation under Subchapter L.

12       (b) The department shall work with any entity involved in an  
13 information resources technology consolidation to develop an  
14 agreed on methodology for collecting and validating data to  
15 determine a baseline assessment of costs. The department shall use  
16 the data both in the department's initial cost projections and in  
17 any later cost comparison. The department shall coordinate with  
18 the internal auditor for guidance, subject to Section 2054.038(d),  
19 on developing a methodology that provides an objective assessment  
20 of costs and project status.

21       (c) Using the methodology agreed on under Subsection (b),  
22 the department shall evaluate actual costs and cost savings related  
23 to the consolidation. The department shall also evaluate the  
24 progress of the department's information resources consolidation  
25 projects compared to the initially projected timelines for  
26 implementation. The evaluation results must break out the  
27 information on both statewide and individual entity levels.

1        (d) The department shall annually report the evaluation  
2 results to:

3            (1) the board;

4            (2) the Legislative Budget Board; and

5            (3) customers involved in the consolidation.

6        (e) The department shall post on the department's website  
7 the report required by this section.

8        SECTION 16. Sections 2054.1015(b), (c), (d), and (e),  
9 Government Code, are amended to read as follows:

10        (b) The comptroller [~~department~~] may require a state agency  
11 to provide [~~to the department~~] a planned procurement schedule for  
12 commodity items if the comptroller [~~department~~] determines that the  
13 information in the schedule can be used to provide a benefit to the  
14 state. If required by the comptroller [~~department~~], a state agency  
15 must provide a planned procurement schedule for commodity items to  
16 the comptroller and the department before the agency's operating  
17 plan may be approved under Section 2054.102.

18        (c) The comptroller [~~department~~] shall use information  
19 contained in the schedules to plan future vendor solicitations of  
20 commodity items or for any other activity that provides a benefit to  
21 the state.

22        (d) A state agency shall notify the comptroller  
23 [~~department~~], the Legislative Budget Board, and the state auditor's  
24 office if the agency makes a substantive change to a planned  
25 procurement schedule for commodity items.

26        (e) The comptroller [~~department~~] shall specify hardware  
27 configurations for state commodity items in its instructions for

1 the preparation of planned procurement schedules.

2 SECTION 17. Section 2054.122, Government Code, is amended  
3 to read as follows:

4 Sec. 2054.122. COORDINATED TECHNOLOGY TRAINING. A state  
5 agency each calendar quarter shall coordinate agency training for  
6 the use of information resources technologies with training offered  
7 or coordinated by the department or comptroller. The agency shall  
8 use training offered or coordinated by the department or  
9 comptroller if it meets agency requirements and is  
10 cost-competitive.

11 SECTION 18. Section 2054.124, Government Code, is amended  
12 to read as follows:

13 Sec. 2054.124. POWER MANAGEMENT SOFTWARE. (a) After  
14 researching the software available, the comptroller [~~department~~]  
15 shall by competitive bid select power management software to be  
16 used, if technically feasible, by state agencies to reduce the  
17 amount of energy required to operate state computer networks and  
18 networked personal computers.

19 (b) [~~(c)~~] An institution of higher education shall  
20 purchase, lease, or otherwise acquire and use power management  
21 software only if the comptroller [~~department~~], in consultation with  
22 the Information Technology Council for Higher Education,  
23 determines that the institution of higher education's use of power  
24 management software would provide cost savings to this state. In  
25 making a determination under this subsection, the comptroller  
26 [~~department~~] must perform the analysis described by Section  
27 2054.121(c) in the same manner as the department under that

1 subsection. The analysis must include an assessment of how the use  
2 of power management software affects the security of electronic  
3 data, including data protected from public disclosure by state or  
4 federal law.

5 SECTION 19. Section 2054.376(b), Government Code, is  
6 amended to read as follows:

7 (b) This subchapter does not apply to:

8 (1) the Department of Public Safety's use for criminal  
9 justice or homeland security purposes of a federal database or  
10 network;

11 (2) a Texas equivalent of a database or network  
12 described by Subdivision (1) that is managed by the Department of  
13 Public Safety;

14 (3) the uniform statewide accounting system, as that  
15 term is used in Subchapter C, Chapter 2101;

16 (4) the state treasury cash and treasury management  
17 system; ~~[or]~~

18 (5) a database or network managed by the comptroller  
19 to:

20 (A) collect and process multiple types of taxes  
21 imposed by the state; or

22 (B) manage or administer fiscal, financial,  
23 revenue, and expenditure activities of the state under Chapter 403  
24 and Chapter 404; or

25 (6) a database or network managed by the Department of  
26 Agriculture.

27 SECTION 20. Subchapter L, Chapter 2054, Government Code, is

1 amended by adding Section 2054.392 to read as follows:

2 Sec. 2054.392. STATEWIDE TECHNOLOGY ACCOUNT. The  
3 comptroller shall establish in the state treasury the statewide  
4 technology account. The account is a revolving fund account for the  
5 administration of this subchapter. The account is the depository  
6 for all money received from entities served under this subchapter.  
7 Money in the account may be used only for the operation and  
8 management of a statewide technology center or for any other  
9 purpose specified by the legislature.

10 SECTION 21. Chapter 2054, Government Code, is amended by  
11 adding Subchapters N and O to read as follows:

12 SUBCHAPTER N. MAJOR OUTSOURCED CONTRACTS

13 Sec. 2054.501. MAJOR OUTSOURCED CONTRACT DEFINED; RULE.  
14 The board by rule shall define what constitutes a major outsourced  
15 contract with regard to contracts the department executes with  
16 entities other than this state or a political subdivision of this  
17 state. The definition must include as a major outsourced contract:

- 18 (1) outsourced contracts entered into under  
19 Subchapter I and Subchapter L of this chapter or Chapter 2170; and  
20 (2) contracts that exceed a monetary threshold, other  
21 than those described by Subdivision (1).

22 Sec. 2054.502. BOARD APPROVAL AND OVERSIGHT OF MAJOR  
23 OUTSOURCED CONTRACTS. (a) The department must receive approval  
24 from the board before:

- 25 (1) entering into a major outsourced contract; or  
26 (2) amending any major outsourced contract, if the  
27 amendment has significant statewide impact.

1           (b) The board shall establish one or more subcommittees to  
2 monitor the department's major outsourced contracts.

3           Sec. 2054.503. MANAGEMENT PLANS FOR MAJOR OUTSOURCED  
4 CONTRACTS. (a) The department shall specify procedures for  
5 administering, monitoring, and overseeing each major outsourced  
6 contract by creating a management plan for each contract. In each  
7 management plan, the department shall specify the department's  
8 approach to managing and mitigating the risks inherent in each  
9 contract.

10           (b) Department staff who perform contract administration  
11 and program duties shall jointly develop the management plans with  
12 input from executive management and the board. Each management plan  
13 must be approved by the executive director.

14           (c) Each management plan must establish clear lines of  
15 accountability and coordination of contract activities. The plan  
16 must provide details about implementing the program that is the  
17 subject of the contract as well as procedures for monitoring  
18 contractor performance, identifying and mitigating risks related  
19 to the contract, and involving and communicating with customers who  
20 will be served by any programs implemented through the contract. As  
21 appropriate, the plan must define an approach for transitioning  
22 from one major outsourced contract to another major outsourced  
23 contract.

24           (d) The department shall revise each management plan:

25                   (1) as necessary to keep current during the  
26 contracting process; and

27                   (2) when the department renews, amends, or resolicits

1 a major outsourced contract to ensure the plan remains updated and  
2 incorporates any changes resulting from a new contract.

3 Sec. 2054.504. CUSTOMER INVOLVEMENT IN MAJOR OUTSOURCED  
4 CONTRACTS. The department shall establish formal procedures to  
5 ensure customer involvement in decision making regarding each of  
6 the department's major outsourced contracts, including initial  
7 analysis, solicitation development, and contract award and  
8 implementation, that affect those customers.

9 SUBCHAPTER O. ADDITIONAL PROVISIONS ON CONTRACTING

10 Sec. 2054.531. DEFINITION. In this subchapter, "contract  
11 management guide" means the guide developed under this subchapter.

12 Sec. 2054.532. RULES. In addition to the rules adopted  
13 under Subchapter N for major outsourced contracts, the board by  
14 rule shall establish approval requirements for all other contracts,  
15 including a monetary threshold above which board approval is  
16 required before the contract may be executed.

17 Sec. 2054.533. CONFLICT OF INTEREST IN CONTRACTING. (a) A  
18 department employee may not:

19 (1) have an interest in, or in any manner be connected  
20 with, a contract or bid for a purchase of goods or services by the  
21 department; or

22 (2) in any manner, including by rebate or gift,  
23 directly or indirectly accept or receive from a person to whom a  
24 contract may be awarded anything of value or a promise, obligation,  
25 or contract for future reward or compensation.

26 (b) A department employee who violates Subsection (a)(2) is  
27 subject to dismissal.

1       (c) The board shall adopt rules to implement this section.

2       (d) The department shall train staff in the requirements of  
3 this section and Section 572.054 and incorporate the requirements  
4 into the contract management guide and the department's internal  
5 policies, including employee manuals.

6       Sec. 2054.534. CONTRACT MANAGEMENT TRAINING POLICY. (a)  
7 The department shall develop a policy for training department staff  
8 in contract management.

9       (b) The policy must establish contract management training  
10 requirements for all staff involved in contract management,  
11 including contract managers, program staff, and executive  
12 management.

13       (c) The policy must specify the department's overall  
14 approach to procuring and managing contracts, as well as  
15 contract-specific procedures developed in the contract management  
16 guide and under Subchapter N.

17       Sec. 2054.535. CONTRACT MANAGEMENT GUIDE; RULES. (a) The  
18 department shall develop and periodically update a contract  
19 management guide to provide an overall, consistent approach on  
20 procurement and management of major outsourced contracts under  
21 Subchapter N and other contracts. In updating the guide, the  
22 department shall make changes based on contract experiences and  
23 account for changing conditions to guide the updates.

24       (b) The department shall coordinate with the department's  
25 internal auditor, subject to Section 2054.038(d), as needed for  
26 assistance and guidance in developing procedures in the contract  
27 management guide for monitoring contracts and individual



1 contractors.

2 (c) The board may adopt rules necessary to develop or update  
3 the contract management guide.

4 (d) The contract management guide must provide information  
5 regarding the department's:

6 (1) general approach to business case analysis,  
7 procurement planning, contract solicitation, contract execution,  
8 and contract monitoring and oversight;

9 (2) ethics standards and policies, including those  
10 required by Section 2054.533; and

11 (3) approach to changing a program's internal  
12 structure or model for delivering services to customers.

13 (e) The contract management guide must:

14 (1) establish clear lines of accountability, staff  
15 roles and responsibilities, and decision-making authority for  
16 program staff, contract management staff, executive management,  
17 customers, and the board;

18 (2) include the procedures established under Section  
19 2054.504 regarding customer involvement; and

20 (3) establish the department's process for evaluating  
21 and managing risk during each stage of contract procurement,  
22 implementation, and management.

23 (f) The contract management guide must describe the  
24 expectations and standards for obtaining and using customer input  
25 during all contract management phases.

26 SECTION 22. Sections 2155.502(a), (b), and (c), Government  
27 Code, are amended to read as follows:

1           (a) The comptroller [~~commission~~] shall develop a schedule  
2 of multiple award contracts that have been previously awarded using  
3 a competitive process by:

4           (1) the federal government, including the federal  
5 General Services Administration; or

6           (2) any other governmental entity in any state.

7           (b) In developing a schedule under Subsection (a) [~~or (e)~~],  
8 the comptroller [~~commission or department, as appropriate,~~] shall  
9 modify any contractual terms, with the agreement of the parties to  
10 the contract, as necessary to comply with any federal or state  
11 requirements, including rules adopted under this subchapter.

12           (c) The comptroller [~~commission~~] may not list a multiple  
13 award contract on a schedule developed under Subsection (a) if the  
14 goods or services provided by that contract:

15           (1) are available from only one vendor; or

16           (2) are telecommunications services, facilities, or  
17 equipment [~~+~~ ~~or~~

18           [~~(3) are commodity items as defined by Section~~  
19 ~~2157.068(a)~~].

20           SECTION 23. Section 2155.503, Government Code, is amended  
21 to read as follows:

22           Sec. 2155.503. RULES. (a) The comptroller [~~and the~~  
23 ~~department~~] shall adopt rules to implement this subchapter. The  
24 rules must:

25           (1) establish standard terms for contracts listed on a  
26 schedule; and

27           (2) maintain consistency with existing purchasing

1 standards.

2 (b) The comptroller [~~and the department~~] shall consult with  
3 the attorney general in developing rules under this section.

4 SECTION 24. Section 2157.004, Government Code, is amended  
5 to read as follows:

6 Sec. 2157.004. TRANSFERS AND LOANS. A state agency that  
7 acquires a telecommunications device, system, or service or an  
8 automated information system by interagency transfer, contract, or  
9 loan, or by public loan, shall comply with the requirements that  
10 apply to that acquisition under [of] Chapter 2054 and this chapter.

11 SECTION 25. Section 2157.068, Government Code, is amended  
12 to read as follows:

13 Sec. 2157.068. PURCHASE OF INFORMATION TECHNOLOGY  
14 COMMODITY ITEMS. (a) In this section, "commodity items" means  
15 commercial software, hardware, or technology services, other than  
16 telecommunications services, that are generally available to  
17 businesses or the public and for which the comptroller [~~department~~]  
18 determines that a reasonable demand exists in two or more state  
19 agencies. The term includes seat management, through which a state  
20 agency transfers its personal computer equipment and service  
21 responsibilities to a private vendor to manage the personal  
22 computing needs for each desktop in the state agency, including all  
23 necessary hardware, software, and support services.

24 (b) The comptroller [~~department~~] shall negotiate with  
25 vendors to attempt to obtain a favorable price for all of state  
26 government on licenses for commodity items, based on the aggregate  
27 volume of purchases expected to be made by the state. The terms and

1 conditions of a license agreement between a vendor and the  
2 comptroller [~~department~~] under this section may not be less  
3 favorable to the state than the terms of similar license agreements  
4 between the vendor and retail distributors.

5 (c) In contracting for commodity items under this section,  
6 the comptroller [~~department~~] shall make good faith efforts to  
7 provide contracting opportunities for, and to increase contract  
8 awards to, historically underutilized businesses and persons with  
9 disabilities' products and services available under Chapter 122,  
10 Human Resources Code.

11 (d) The comptroller [~~department~~] may charge a reasonable  
12 administrative fee to a state agency, political subdivision of this  
13 state, or governmental entity of another state that purchases  
14 commodity items through the comptroller [~~department~~] in an amount  
15 that is sufficient to recover costs associated with the  
16 administration of this section. The comptroller shall develop a  
17 clear procedure for calculating the fee under this subsection,  
18 including procedures for review and approval of the fee.

19 (e) The comptroller [~~department~~] shall compile and maintain  
20 a list of commodity items available for purchase through the  
21 comptroller [~~department~~] that have a lower price than the prices  
22 for commodity items otherwise available to state agencies under  
23 this chapter. The comptroller [~~department~~] shall make the list  
24 available on the comptroller's website [~~world wide web or on a~~  
25 ~~suitable successor to the world wide web if the technological~~  
26 ~~developments involving the Internet make it advisable to do so~~].

27 (f) The comptroller [~~department~~] may adopt rules regulating

1 a purchase by a state agency of a commodity item under this section,  
2 including a requirement that, notwithstanding other provisions of  
3 this chapter, the agency must make the purchase in accordance with a  
4 contract developed by the comptroller [~~department~~] unless the  
5 agency obtains:

- 6 (1) an exemption from the comptroller [~~department~~]; or
- 7 (2) express prior approval from the Legislative Budget  
8 Board for the expenditure necessary for the purchase.

9 (g) The Legislative Budget Board's approval of a biennial  
10 operating plan under Section 2054.102 is not an express prior  
11 approval for purposes of Subsection (f)(2). A state agency must  
12 request an exemption from the comptroller [~~department~~] under  
13 Subsection (f)(1) before seeking prior approval from the  
14 Legislative Budget Board under Subsection (f)(2).

15 (h) The comptroller [~~department~~] shall, in cooperation with  
16 state agencies, establish guidelines for the classification of  
17 commodity items under this section. The comptroller [~~department~~]  
18 may determine when a statewide vendor solicitation for a commodity  
19 item will reduce purchase prices for a state agency.

20 (i) Unless the agency has express statutory authority to  
21 employ a best value purchasing method other than a purchasing  
22 method designated by the comptroller [~~commission~~] under Section  
23 2157.006(a)(2), a state agency shall use a purchasing method  
24 provided by Section 2157.006(a) when purchasing a commodity item  
25 if:

- 26 (1) the agency has obtained an exemption from the  
27 comptroller [~~department~~] or approval from the Legislative Budget

1 Board under Subsection (f); or

2 (2) the agency is otherwise exempt from this section.

3 SECTION 26. Subchapter B, Chapter 2157, Government Code, is  
4 amended by adding Section 2157.0685 to read as follows:

5 Sec. 2157.0685. REPORTING OF ADMINISTRATIVE FEES FOR  
6 COMMODITY ITEMS. (a) The comptroller shall report to the  
7 Legislative Budget Board any administrative fee the comptroller  
8 sets under Section 2157.068 for each fiscal year. The report must  
9 include the underlying analysis and methodology used to determine  
10 the fee amounts.

11 (b) The comptroller shall post on the comptroller's website  
12 information about the fee, including a description of how the fee is  
13 determined. The comptroller must update this information when a  
14 contract amendment or other action results in a major change to the  
15 costs incurred or the price paid by the comptroller or a customer of  
16 the comptroller.

17 SECTION 27. Subchapter B, Chapter 2157, Government Code, is  
18 amended by adding Section 2157.069 to read as follows:

19 Sec. 2157.069. CLEARING FUND ACCOUNT. The comptroller  
20 shall establish in the state treasury the clearing fund account.  
21 The account is a revolving fund account for the administration of  
22 Section 2157.068. The account is the depository for all money  
23 received from entities served under that section. Money in the  
24 account may be used only to administer that section or for any other  
25 purpose specified by the legislature.

26 SECTION 28. Section 2157.121, Government Code, is amended  
27 to read as follows:

1           Sec. 2157.121. ACQUISITION THROUGH COMPETITIVE SEALED  
2 PROPOSALS. (a) The comptroller [~~commission~~] or other state agency  
3 may acquire a telecommunications device, system, or service or an  
4 automated information system by using competitive sealed proposals  
5 if the comptroller [~~commission~~] determines that competitive sealed  
6 bidding and informal competitive bidding are not practical or are  
7 disadvantageous to the state.

8           (b) A state agency, other than the department under  
9 Subsection (c), shall send its proposal specifications and criteria  
10 to the comptroller [~~commission~~] for approval or request the  
11 comptroller [~~commission~~] to develop the proposal specifications  
12 and criteria.

13           (c) The department may acquire a telecommunications device,  
14 system, or service [~~or an automated information system~~] by using  
15 competitive sealed proposals without regard to whether the  
16 comptroller [~~commission~~] makes the determination required under  
17 Subsection (a) for other state agencies. This subsection applies  
18 only to an acquisition under Subchapter H, Chapter 2054, or under  
19 Chapter 2170.

20           SECTION 29. Section 2157.181(a), Government Code, is  
21 amended to read as follows:

22           (a) The comptroller [~~commission, with the concurrence of~~  
23 ~~the department,~~] may negotiate with vendors preapproved terms and  
24 conditions to be included in contracts relating to the purchase or  
25 lease of [~~a telecommunication device, system, or service or~~] an  
26 automated information system awarded to a vendor by a state agency.

27           SECTION 30. Section 2157.182, Government Code, is amended

1 to read as follows:

2           Sec. 2157.182. VALIDITY OF PREAPPROVED TERMS AND  
3 CONDITIONS; RENEGOTIATION. (a) Preapproved terms and conditions  
4 to which a vendor[~~, the commission,~~] and the comptroller  
5 [~~department~~] agree are valid for two years after the date of the  
6 agreement and must provide that the terms and conditions are to be  
7 renegotiated before the end of the two years.

8           (b) The comptroller [~~commission and the department jointly~~]  
9 shall establish procedures to ensure that terms and conditions are  
10 renegotiated before they expire in a contract between the vendor  
11 and a state agency.

12           SECTION 31. Section 2157.184, Government Code, is amended  
13 to read as follows:

14           Sec. 2157.184. NOTIFICATION OF STATE AGENCIES AND VENDORS.  
15 The comptroller [~~commission and the department jointly~~] shall  
16 establish procedures to notify state agencies and potential vendors  
17 of the provisions of this subchapter regarding preapproved terms  
18 and conditions.

19           SECTION 32. Sections           2054.024(c),           2155.501(1),  
20 2155.502(e), 2157.0611, and 2157.181(b), Government Code, are  
21 repealed.

22           SECTION 33. (a) Not later than September 1, 2011, the  
23 governor shall appoint the initial members of the governing board  
24 of the Department of Information Resources under Section 2054.021,  
25 Government Code, as amended by this Act. The governor shall  
26 appoint:

27           (1) two members whose terms expire February 1, 2013;



1           (2) two members whose terms expire February 1, 2015;  
2 and

3           (3) three members whose terms expire February 1, 2017.

4           (b) The terms of the current members of the board expire  
5 September 1, 2011.

6           SECTION 34. (a) Not later than September 1, 2011, the  
7 first group of ex officio members shall begin serving or be  
8 appointed under Section 2054.021(c), Government Code, as amended by  
9 this Act.

10          (b) The governor shall appoint to the first group an ex  
11 officio member from a state agency with fewer than 100 employees  
12 under Section 2054.021(c), Government Code, as amended by this Act.  
13 When that member is appointed, the term of the executive director of  
14 the Texas Department of Transportation expires.

15          (c) The commissioner of insurance and the executive  
16 commissioner of the Health and Human Services Commission shall  
17 continue to serve in the first group under Section 2054.021(c),  
18 Government Code, as amended by this Act, until February 1, 2013.

19           SECTION 35. (a) In this section, "department" means the  
20 Department of Information Resources.

21          (b) On the effective date of this Act, the powers and duties  
22 of the department under Section 2157.068, Government Code, or other  
23 law relating to information and communications technology  
24 cooperative contracts are transferred to the comptroller.

25          (c) The department shall work in cooperation with and at the  
26 direction of the comptroller to facilitate the transfer described  
27 by this section.

1           (d) A rule, form, policy, procedure, or decision of the  
2 department that is related to a power or duty transferred under  
3 Subsection (b) of this section continues in effect as a rule, form,  
4 policy, procedure, or decision of the comptroller until superseded  
5 by an act of the comptroller.

6           (e) A court case, administrative proceeding, contract  
7 negotiation, or other proceeding involving the department that is  
8 related to a power or duty transferred under Subsection (b) of this  
9 section is transferred without change in status to the comptroller,  
10 and the comptroller assumes, without a change in status, the  
11 position of the department in a negotiation or proceeding relating  
12 to a power or duty transferred under Subsection (b) of this section  
13 to which the department is a party.

14           (f) All department employees who primarily perform duties  
15 related to a power or duty transferred under Subsection (b) of this  
16 section, including employees who provide administrative support  
17 for those powers or duties, are transferred to the office of the  
18 comptroller. A management employee of the department who is  
19 transferred to the office of the comptroller under this section  
20 does not automatically continue to hold the person's management  
21 position. To hold the management position on other than an interim  
22 basis, the person must apply for the position with the comptroller.

23           (g) All personal property, including records, in the  
24 custody of the department related to a power or duty transferred  
25 under Subsection (b) of this section is transferred to and becomes  
26 the property of the comptroller.

27           (h) All contracts, memoranda of understanding, leases, and

1 rights of the department related to a power or duty transferred  
2 under Subsection (b) of this section are transferred to the  
3 comptroller.

4 (i) All money appropriated by the legislature to the  
5 department related to a power or duty transferred under Subsection  
6 (b) of this section, including money for providing administrative  
7 support, is transferred to the comptroller.

8 SECTION 36. A contract transferred under Section 35 of this  
9 Act may not be canceled by the comptroller except as provided by the  
10 terms of the contract.

11 SECTION 37. Sections 2054.502 and 2054.533, Government  
12 Code, as added by this Act, apply only to a contract for which a  
13 solicitation of bids or proposals or similar expressions of  
14 interest is published on or after September 1, 2011. A contract for  
15 which a solicitation of bids or proposals or similar expressions of  
16 interest is published before September 1, 2011, is governed by the  
17 law in effect on the date the state agency first publishes the  
18 solicitation of bids or proposals or similar expressions of  
19 interest, and the former law is continued in effect for that  
20 purpose.

21 SECTION 38. This Act takes effect September 1, 2011.

# ADOPTED

MAY 19 2011

*Antony Spaw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Robert Lee Nicks*

1 Amend C.S.H.B. 2499 (senate committee printing) as follows:

2 (1) In SECTION 19 of the bill, in added Section  
3 2054.376(b)(6), Government Code (page 7, line 1), strike "or".

4 (2) In SECTION 19 of the bill, in amended Section  
5 2054.376(b), Government Code (page 7, line 3), strike the period  
6 and substitute the following:

7 ; or

8 (8) a database or network managed by a state agency in  
9 the judicial branch of state government.

10 (3) Add the following appropriately numbered SECTIONS to  
11 the bill and renumber the remaining SECTIONS of the bill  
12 accordingly:

13 SECTION \_\_\_\_\_. Section 2054.113, Government Code, is amended  
14 by adding Subsection (a-1) to read as follows:

15 (a-1) This section does not apply to a state agency in the  
16 judicial branch of state government that implements electronic  
17 filing and service of documents under rules adopted or approved by  
18 the supreme court.

19 SECTION \_\_\_\_\_. Section 2054.113(a-1), Government Code, as  
20 added by this Act, takes effect September 1, 2012.

# ADOPTED

MAY 19 2011

*Arlene Spaw*  
Secretary of the Senate

FLOOR AMENDMENT NO. 4

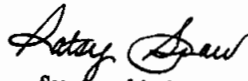
BY: Ellis

1 Amend C.S.H.B. 2499 (senate committee printing) by adding the  
2 following appropriately numbered SECTION to the bill and  
3 renumbering the remaining SECTIONS of the bill accordingly:

4 SECTION \_\_\_\_\_. Section 2059.060, Government Code, is  
5 repealed.

# ADOPTED

MAY 19 2011

  
Secretary of the Senate

FLOOR AMENDMENT NO. 5

BY: 

1 Amend C.S.H.B. 2499 (senate committee printing) by adding the  
2 following appropriately numbered SECTIONS to the bill and  
3 renumbering the remaining SECTIONS of the bill appropriately:

4 SECTION \_\_\_\_\_. Section 2155.003, Government Code, is amended  
5 by amending Subsection (e) and adding Subsections (f) and (g) to  
6 read as follows:

7 (e) The comptroller must report to the Texas Ethics  
8 Commission a campaign contribution from a vendor that bids on or  
9 receives a contract under the comptroller's purchasing authority,  
10 including authority under this subtitle.

11 (f) In this section, "campaign contribution" and  
12 "specific-purpose committee" have the meanings assigned by Section  
13 251.001, Election Code.

14 (g) For purposes of Subsection (e), a campaign contribution  
15 to a specific-purpose committee for the purpose of supporting a  
16 candidate for comptroller, opposing the candidate's opponent, or  
17 assisting the comptroller is considered to be a campaign  
18 contribution to the comptroller.

19 SECTION \_\_\_\_\_. Section 2155.003, Government Code, as amended  
20 by this Act, applies only to a campaign contribution made on or  
21 after the effective date of this Act. A campaign contribution made  
22 before the effective date of this Act is governed by the law in  
23 effect when the contribution was made, and the former law is  
24 continued in effect for that purpose.

**LEGISLATIVE BUDGET BOARD**

Austin, Texas

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 21, 2011**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook (Relating to the continuation and functions of the Department of Information Resources and the transfer of certain department functions to the comptroller of public accounts. ), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2499, As Passed 2nd House: a negative impact of (\$885,338) through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	(\$885,338)
2014	(\$885,338)
2015	(\$885,338)
2016	(\$885,338)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2012	\$0
2013	(\$885,338)
2014	(\$885,338)
2015	(\$885,338)
2016	(\$885,338)

**Fiscal Analysis**

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 38: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 33, and 34: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory

Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 21: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions. The bill would require DIR to: create a management plan for each major outsourced contract, as defined by its Board; to specify procedures to administer, monitor, and oversee each major contract; establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

Section 11: The bill would require DIR, upon request, to provide technical assistance to a state agency to determine the agency's information resources technology needs and to solve the agency's technology problems.

Sections 12, 13, 16, 17, 18, 22, 23, 24, 25, 28, 29, 30, 31, 32, and 35: These provisions relate to transferring the responsibility for the statewide purchase of information technology commodity items from DIR to the Comptroller; require the Comptroller to provide training in contract negotiation; manage and use planned procurement schedules; coordinate technology training; establish rules to administer the IT commodity contract program; and transfer all powers, duties, money, contracts, memoranda of understanding, records, leases, and rights of DIR related to the purchase of information technology commodity items from DIR to the Comptroller. The bill would also require DIR to work in cooperation and at the direction of the Comptroller to facilitate the transfer. All DIR employees that primarily perform duties related to a power or duty transferred under the bill would become employees of the Comptroller. A management employee of DIR would not automatically continue to hold a management position with the Comptroller after the transfer. To hold the management position on other than an interim basis the person would have to apply for the position with the applicable office.

Section 19: The bill would exempt a database or network managed by the Department of Agriculture, General Land Office, or a judiciary agency from the Statewide Technology Center, or data center consolidation project, managed by DIR.

The bill would also allow certain judiciary agencies to develop internet applications similar to TexasOnline and may contract with a third party for internet application development without notifying DIR.



Sections 20 and 27: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 26: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

Section 36: The bill would not allow the Comptroller to terminate a contract entered into by DIR that is transferred to the Comptroller by the bill.

The bill would repeal Government Code, Section 2059.060 related to DIR adoption rules for vulnerability testing of network hardware and software.

The bill would require the Comptroller to report any campaign contributions from a vendor that bids on or receives a contract that would transfer from DIR to the Comptroller under the provisions of the bill.

## **Methodology**

### **ASSUMPTIONS**

Sections 7, 9, 11, and 21: DIR reported that to implement certain provisions in these sections of the bill, additional full-time equivalent positions (FTEs) and funding would be required. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24,25, 28, 29, 30, 31, 32, and 35: The bill would provide that appropriations and FTEs funded by the administrative fee charged to agencies and local governments that use the information technology (IT) commodity contracts would transfer from DIR to the Comptroller.

Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

It is anticipated that the 21.6 FTEs identified above and \$4,012,947 for related salaries and operating costs previously funded from the Clearing Fund would be needed by DIR to administer contracts related to telecommunications, statewide technology services, and for statewide IT planning and security initiatives. It is also anticipated that these costs would be funded out of the revenues from the Telecommunications and/or Statewide Technology services. DIR may need to adjust its fees to cover these additional costs.

Section 19: DIR reported that to implement the provisions in this sections of the bill, certain contractual obligations related to the Texas Department of Agriculture's (TDA) participating in the data center consolidation project would remain in the 2012-13 bienium. In addition, the TDA reported additional full-time equivalents would be needed to implement the provisions in this section of the bill. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Under current law, certain users can file documents to courts through TexasOnline. In addition to

certain filing fees, users of this service pay a transaction fee. Under the current TexasOnline contract, DIR estimates that the state's share of the transaction fee is estimated to be \$726,940 in fiscal year 2012. This revenue would be deposited to the credit of the general revenue fund.

Under the provision of the bill, in fiscal year 2013, certain judiciary agencies would no longer be required to use the TexasOnline web portal to provide e-filing services. DIR assumes that the Office of Court Administration (OCA) would develop a separate web portal similar to TexasOnline and would not charge for these services. This potential loss of the State's share of revenue is estimated by DIR to be \$885,338 each fiscal year beginning in fiscal year 2013. This analysis assumes that any costs related to OCA developing a new system would be absorbed by OCA's current resources.

Sections 20 and 27: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 212 Office of Court Administration, Texas Judicial Council, 305 General Land Office and Veterans' Land Board, 313 Department of Information Resources, 551 Department of Agriculture, 304 Comptroller of Public Accounts, 301 Office of the Governor

**LBB Staff:** JOB, EP, RC, KM, MS, KJG, SD, KY

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 12, 2011**

**TO:** Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook ( Relating to the continuation and functions of the Department of Information Resources and the transfer of certain department functions to the comptroller of public accounts.), **Committee Report 2nd House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 38: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 33, and 34: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 21: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions. The bill would require DIR to: create a management plan for each major outsourced contract, as defined by its Board; to specify procedures to administer, monitor, and oversee each major contract;

establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

Section 11: The bill would require DIR, upon request, to provide technical assistance to a state agency to determine the agency's information resources technology needs and to solve the agency's technology problems.

Sections 12, 13, 16, 17, 18, 22, 23, 24, 25, 28, 29, 30, 31, 32, and 35: These provisions relate to transferring the responsibility for the statewide purchase of information technology commodity items from DIR to the Comptroller; require the Comptroller to provide training in contract negotiation; manage and use planned procurement schedules; coordinate technology training; establish rules to administer the IT commodity contract program; and transfer all powers, duties, money, contracts, memoranda of understanding, records, leases, and rights of DIR related to the purchase of information technology commodity items from DIR to the Comptroller. The bill would also require DIR to work in cooperation and at the direction of the Comptroller to facilitate the transfer. All DIR employees that primarily perform duties related to a power or duty transferred under the bill would become employees of the Comptroller. A management employee of DIR would not automatically continue to hold a management position with the Comptroller after the transfer. To hold the management position on other than an interim basis the person would have to apply for the position with the applicable office.

Section 19: The bill would exempt a database or network managed by the Department of Agriculture or the General Land Office from the Statewide Technology Center, or data center consolidation project, managed by DIR.

Sections 20 and 27: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 26: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

Section 36: The bill would not allow the Comptroller to terminate a contract entered into by DIR that is transferred to the Comptroller by the bill.

## ASSUMPTIONS

Sections 7, 9, 11, and 21: DIR reported that to implement certain provisions in these sections of the bill, additional full-time equivalent positions (FTEs) and funding would be required. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, and 35: The bill would provide that appropriations and FTEs funded by the administrative fee charged to agencies and local governments that use the information technology (IT) commodity contracts would transfer from DIR to the Comptroller.

Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this

funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

It is anticipated that the 21.6 FTEs identified above and \$4,012,947 for related salaries and operating costs previously funded from the Clearing Fund would be needed by DIR to administer contracts related to telecommunications, statewide technology services, and for statewide IT planning and security initiatives. It is also anticipated that these costs would be funded out of the revenues from the Telecommunications and/or Statewide Technology services. DIR may need to adjust its fees to cover these additional costs.

Section 19: DIR reported that to implement the provisions in this sections of the bill, certain contractual obligations related to the Texas Department of Agriculture's (TDA) participating in the data center consolidation project would remain in the 2012-13 bienium. In addition, the TDA reported additional full-time equivalents would be needed to implement the provisions in this section of the bill. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 20 and 27: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 305 General Land Office and Veterans' Land Board, 313 Department of Information Resources, 551 Department of Agriculture, 304 Comptroller of Public Accounts, 301 Office of the Governor

**LBB Staff:** JOB, EP, RC, KM, MS, KJG, SD, KY

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 29, 2011**

**TO:** Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook (Relating to the continuation and functions of the Department of Information Resources and the transfer of certain department functions to the comptroller of public accounts.), **As Engrossed**

**No significant fiscal implication to the State is anticipated.**

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 36: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 32, and 33: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 20: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions.

The bill would require DIR to: create a management plan for each major outsourced contract, as defined by its Board; to specify procedures to administer, monitor, and oversee each major contract; establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

Section 11: The bill would require DIR, upon request, to provide technical assistance to a state agency to determine the agency's information resources technology needs and to solve the agency's technology problems.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: These provisions relate to transferring the responsibility for the statewide purchase of information technology commodity items from DIR to the Comptroller; require the Comptroller to provide training in contract negotiation; manage and use planned procurement schedules; coordinate technology training; establish rules to administer the IT commodity contract program; and transfer all powers, duties, money, contracts, memoranda of understanding, records, leases, and rights of DIR related to the purchase of information technology commodity items from DIR to the Comptroller. The bill would also require DIR to work in cooperation and at the direction of the Comptroller to facilitate the transfer. All DIR employees that primarily perform duties related to a power or duty transferred under the bill would become employees of the Comptroller. A management employee of DIR would not automatically continue to hold a management position with the Comptroller after the transfer. To hold the management position on other than an interim basis the person would have to apply for the position with the applicable office.

Sections 19 and 26: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 25: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

Section 35: The bill would not allow the Comptroller to terminate a contract entered into by DIR that is transferred to the Comptroller by the bill.

## ASSUMPTIONS

Sections 7, 9, 11, and 20: DIR reported that to implement certain provisions in these sections of the bill, additional full-time equivalent positions (FTEs) and funding would be required. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: The bill would provide that appropriations and FTEs funded by the administrative fee charged to agencies and local governments that use the information technology (IT) commodity contracts would transfer from DIR to the Comptroller.

Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this

funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

It is anticipated that the 21.6 FTEs identified above and \$4,012,947 for related salaries and operating costs previously funded from the Clearing Fund would be needed by DIR to administer contracts related to telecommunications, statewide technology services, and for statewide IT planning and security initiatives. It is also anticipated that these costs would be funded out of the revenues from the Telecommunications and/or Statewide Technology services. DIR may need to adjust its fees to cover these additional costs.

Sections 19 and 26: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 313 Department of Information Resources, 304 Comptroller of Public Accounts, 301 Office of the Governor

**LBB Staff:** JOB, KM, MS, EP, KJG, SD, KY, RC



**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 3, 2011**

**TO:** Honorable Byron Cook, Chair, House Committee on State Affairs

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook (Relating to the continuation and functions of the Department of Information Resources and the transfer of certain department functions to the comptroller of public accounts.), **Committee Report 1st House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 36: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 32, and 33: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 20: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions.

The bill would require DIR to: create a management plan for each major outsourced contract, as defined by its Board; to specify procedures to administer, monitor, and oversee each major contract; establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

Section 11: The bill would require DIR, upon request, to provide technical assistance to a state agency to determine the agency's information resources technology needs and to solve the agency's technology problems.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: These provisions relate to transferring the responsibility for the statewide purchase of information technology commodity items from DIR to the Comptroller; require the Comptroller to provide training in contract negotiation; manage and use planned procurement schedules; coordinate technology training; establish rules to administer the IT commodity contract program; and transfer all powers, duties, money, contracts, memoranda of understanding, records, leases, and rights of DIR related to the purchase of information technology commodity items from DIR to the Comptroller. The bill would also require DIR to work in cooperation and at the direction of the Comptroller to facilitate the transfer. All DIR employees that primarily perform duties related to a power or duty transferred under the bill would become employees of the Comptroller. A management employee of DIR would not automatically continue to hold a management position with the Comptroller after the transfer. To hold the management position on other than an interim basis the person would have to apply for the position with the applicable office.

Sections 19 and 26: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 25: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

## ASSUMPTIONS

Sections 7, 9, 11, and 20: DIR reported that to implement certain provisions in these sections of the bill, additional full-time equivalent positions (FTEs) and funding would be required. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: The bill would provide that appropriations and FTEs funded by the administrative fee charged to agencies and local governments that use the information technology (IT) commodity contracts would transfer from DIR to the Comptroller.

Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

It is anticipated that the 21.6 FTEs identified above and \$4,012,947 for related salaries and operating costs previously funded from the Clearing Fund would be needed by DIR to administer contracts related to telecommunications, statewide technology services, and for statewide IT planning and security initiatives. It is also anticipated that these costs would be funded out of the revenues from the Telecommunications and/or Statewide Technology services. DIR may need to adjust its fees to cover these additional costs.

Sections 19 and 26: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 301 Office of the Governor, 313 Department of Information Resources

**LBB Staff:** JOB, KJG, MS, EP, SD, KY, RC

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**Revision 1**

**March 23, 2011**

**TO:** Honorable Byron Cook, Chair, House Committee on State Affairs

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook (Relating to the continuation and functions of the Department of Information Resources.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 36: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 32, and 33: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 20: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions.

The bill would require DIR to: create a management plan for each major outsourced contract, as

defined by its Board; to specify procedures to administer, monitor, and oversee each major contract; establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

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Sections 19 and 26: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 25: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

## ASSUMPTIONS

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Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

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**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 301 Office of the Governor, 304 Comptroller of Public Accounts, 313 Department of Information Resources

**LBB Staff:** JOB, KJG, MS, EP, SD, KY, RC

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 23, 2011**

**TO:** Honorable Byron Cook, Chair, House Committee on State Affairs

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB2499** by Cook (Relating to the continuation and functions of the Department of Information Resources.), **As Introduced**

<b>No significant fiscal implication to the State is anticipated.</b>
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The bill would statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue ERS for six years and would take effect on September 1, 2011.

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## **ASSUMPTIONS**

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**LBB Staff:** JOB, KJG, MS, EP, KY, RC