

AN ACT

relating to the administration of "pay for success" contracts for state agencies.

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

SECTION 1. Subchapter G, Chapter 403, Government Code, is amended by adding Section 403.110 to read as follows:

Sec. 403.110. SUCCESS CONTRACT PAYMENTS TRUST FUND. (a)

The success contract payments trust fund is established as a trust fund outside the state treasury with the comptroller as trustee.

(b) The trust fund is established to provide a fund from which the comptroller as trustee may make success contract payments due in accordance with the contract terms without the necessity of an appropriation for the contract payment.

(c) The trust fund consists of money appropriated for deposit to the credit of the trust fund and any interest or other earnings attributable to the trust fund. The comptroller shall hold money credited to the trust fund for use only for payments due in accordance with success contract terms and expenses incurred in administering the trust fund or in administering the success contracts for which the trust fund is established. The balance of the trust fund may not exceed \$50 million at any time. The comptroller may establish in the trust fund one or more accounts to administer money for a particular success contract for which money has been credited to the trust fund.

1 (d) Notwithstanding any other law, a state agency and the
2 comptroller jointly may enter into a success contract with any
3 person the terms of which must include:

4 (1) that a majority of the contract payment is
5 conditioned on the contractor meeting or exceeding certain
6 specified performance measures toward the outcome of the contract's
7 objectives;

8 (2) a defined objective procedure by which an
9 independent evaluator is to determine whether the specified
10 performance measures have been met or exceeded; and

11 (3) a schedule of the amounts and timing of payments to
12 be earned by the contractor during each year or other specified
13 period of the contract that indicates the payment amounts
14 conditioned on meeting or exceeding the specified performance
15 measures.

16 (e) The comptroller and a state agency may not finally
17 execute a proposed success contract under this section unless:

18 (1) the state agency and the Legislative Budget Board
19 certify that the proposed contract is expected to result in
20 significant performance improvements and significant budgetary
21 savings for the state agency or agencies party to the contract if
22 the performance targets are achieved; and

23 (2) the legislature has appropriated for deposit to
24 the credit of the trust fund, contingent on the execution of the
25 contract, an amount of money necessary to administer the contract
26 and make all payments that may become due under the contract over
27 the effective period of the contract.

1 (f) The comptroller shall make the contract payments for the
2 success contracts only from the trust fund and only in accordance
3 with the terms of the success contracts. The comptroller shall
4 deposit to the credit of the trust fund any money the comptroller
5 recovers from a contractor for overpayment or for a penalty or other
6 amount recoverable under the terms of a success contract and shall
7 hold the money in the trust fund in the same manner as the money held
8 for payments for the success contract. To the extent that any money
9 credited to the trust fund for a particular success contract
10 remains unpaid at the time the particular contract expires or is
11 terminated, as soon after the contract expiration as is
12 practicable, the comptroller shall return the unpaid amount to the
13 state treasury fund or account from which the money was
14 appropriated.

15 (g) Each state agency shall provide to each legislature not
16 later than the first day of the regular legislative session a report
17 that:

18 (1) provides details about the success in achieving
19 the specified performance measures of each success contract the
20 state agency has entered into under this section that has not
21 expired or been terminated or that expired or was terminated since
22 the date of the preceding report under this subsection; and

23 (2) provides details about proposed success contracts
24 that the state agency has not executed at the time of the report.

25 (h) The comptroller may adopt rules as necessary to
26 administer this section or success contracts entered into under
27 this section, including joint rules adopted with other agencies

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1 that may be party to success contracts under this section.

2 SECTION 2. This Act takes effect September 1, 2015.

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President of the Senate

Speaker of the House

I certify that H.B. No. 3014 was passed by the House on April 27, 2015, by the following vote: Yeas 137, Nays 0, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 3014 on May 26, 2015, by the following vote: Yeas 141, Nays 4, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3014 was passed by the Senate, with amendments, on May 22, 2015, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: _____

Date

Governor