

BILL ANALYSIS

Senate Research Center
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S.B. 1528
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State Affairs
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As Filed

DIGEST

Currently, equipment warranties are included in maintenance and repair costs. Since 1994, the state's maintenance and repair costs have increased at 9 percent per year for a total of \$35.5 million. An agency typically purchases a traditional warranty at the time of purchasing equipment. The warranties, however, are costly, require up-front payment, and include a high markup. Although inflation and equipment upgrades contribute to overall equipment costs, part of the costs result from traditional service warranty contracts. (The exact cost of the contracts cannot be determined because no separate comptroller object code tracks the expenditures.)

According to a comptroller study, the costs could be significantly curtailed by converting existing purchasing methods. If a state agencies converted existing service warranty contracts to time-and-materials contracts and bid out future purchases of equipment maintenance insurance or contracts to insurance companies, the state could save 20 to 50 percent on repair and maintenance costs. S.B. 1528 would require a state agency to implement certain policies for purchasing equipment maintenance contracts.

PURPOSE

As proposed, S.B. 1528 requires a state agency to implement certain policies for purchasing equipment maintenance contracts.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 2158, Government Code, by adding Subchapter F, as follows:

SUBCHAPTER F. EQUIPMENT MAINTENANCE

Sec. 2158.281. **EQUIPMENT MAINTENANCE PROGRAM.** Requires a state agency to analyze the cost of the agency's service warranty contracts on equipment. Requires an agency to seek to lower its equipment maintenance costs by entering into new contracts that are more cost-effective. Sets forth cost-effective methods of equipment maintenance. Requires an agency to solicit bids or proposals using certain methods to maintain agency equipment, and to accept the responsible bid or proposal that lowers costs and offers the best value to the agency. Requires the accepted bid or proposal to allow additional equipment to be added to the program at any time.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.