

## REPORTING REQUIREMENTS

### **Sec. 7.04. Contract Notification: Amounts Greater than \$50,000.**

- (a) In this section "contract" includes a grant, agreement for the purchase or sale of a good or service, revenue generating contract, interagency or interlocal grant or agreement, purchase order, or other written expression of terms of agreement or an amendment, modification, renewal, or extension of such that was entered into or paid for, either in whole or in part, by a state agency or institution of higher education.
- (b) In this section "contract" does not include:
  - (1) a contract with a value of less than or equal to \$50,000, or
  - (2) a contract paid for exclusively using federal grant monies for which all parties to the contract and the terms of the contract have been determined by the federal government.
- (c) In this section "contract" includes an amendment, modification, renewal, or extension which increases a contract's value from a value less than or equal to \$50,000 to a value greater than \$50,000.
- (d) Before the 30th calendar day after awarding a contract or granting an amendment, modification, renewal, or extension, a state agency or institution of higher education shall report to the Legislative Budget Board in the manner prescribed by Legislative Budget Board all contracts, amendments, modifications, renewals, and extensions to which the agency or institution was a party.
- (e) A state agency or institution of higher education receiving an appropriation under this Act shall report a contract pursuant to this section without regard to source of monies or method of finance associated with the expenditure, including a contract for which only non-appropriated monies will be expended.
- (f) The Legislative Budget Board may conduct reviews of contracts required to be submitted under this section and valued at \$1,000,000 or more.
- (g) The Director of the Legislative Budget Board may provide written notification to the Comptroller, the Governor, and/or the Legislative Budget Board detailing the requirements of this section that the agency did not meet and any recommendations to address identified risks related to the procurement or contract if the procurement or contract reported under this section is found to violate:
  - (1) State of Texas Procurement and Contract Management Guide; or
  - (2) Any applicable statutes, rules, policies and procedures related to the procurement and contracting of goods and services, including compliance with conflict of interest disclosure requirements.
- (h) The recommendations made by the Director of the Legislative Budget Board may include:
  - (1) enhanced monitoring by Legislative Budget Board staff;
  - (2) auditing by the State Auditor's Office;
  - (3) required agency consultation with the Quality Assurance Team and/or Contract Advisory Team; or
  - (4) contract cancellation.
- (i) For contracts with an initial award value greater than \$1 million, a state agency or institution of higher education shall provide notice of an amendment or a renewal of a contract for services for which the expected total value of the contract after amendment or renewal exceeds the total value of the initial contract award by 10 percent or more, in accordance with procedures established by the Legislative Budget Board, to:
  - (1) the Governor;
  - (2) the Lieutenant Governor; and
  - (3) the Speaker of the House of Representatives.

- (j) A state agency or institution of higher education must provide the notice required under Subsection (i) not later than the 30th calendar day after the date of the disclosure or discovery that the expected total value of the contract after amendment or renewal exceeds the total value of the initial contract award by 10 percent. The notice must include:
  - (1) the amount of the cost increase;
  - (2) the reason for the cost increase; and
  - (3) any opportunity the state agency had to lessen the cost or to purchase the service from another vendor after the first dollar of the increased cost was discovered or disclosed to the agency or institution.
- (k) The Legislative Budget Board shall establish the procedures for the notice required by Subsections (i) or (j).

**Sec. 7.11. Notification of Certain Purchases or Contract Awards, Amendments, and Extensions.**

- (a) In this section "contract" includes a grant, agreement for the purchase or sale of goods or services, revenue generating contract, interagency or interlocal grant or agreement, purchase order or other written expression of terms of agreement, or an amendment, modification, renewal, or extension of such that was entered into or paid for, either in whole or in part, by a state agency or institution of higher education.
- (b) Until providing notice that satisfies the requirements of Subsections 7.11(c) and (d), an agency or institution of higher education appropriated monies in this Act may not expend any monies to make a payment on a contract if the expected amount of the contract exceeds or may reasonably be expected to exceed either of the following thresholds:
  - (1) \$10 million; or
  - (2) \$1 million in the case of a contract awarded:
    - (A) as a result of an emergency or following an emergency procedure allowed by statute; or
    - (B) without issuing a request for proposal, request for bid, or other similar process common to participation in the competitive bidding processes required by statute, rule, or ordinary and commonly recognized state policies and procedures.
- (c) An agency or institution of higher education may not expend monies to make a payment on a contract under Subsection (b) until the notice required in this section is provided to the Legislative Budget Board. The notice shall be provided to the Legislative Budget Board:
  - (1) within 15 calendar days of contract award; or
  - (2) within 5 calendar days of contract award if the contract was awarded as a result of an emergency or following an emergency procedure allowed by statute. Such a purchase must be necessary to avoid an immediate hazard to life, health, safety, or the welfare of humans, or to avoid an immediate hazard to property.
- (d) The notice required by Subsection (c) must include:
  - (1) (A) information regarding the nature, term, amount and the vendor(s) awarded the contract;
  - (B) a copy of the contract documents, including all appendices and attachments, and, if applicable, a finding of fact for major consulting contracts from the Governor's Office stating that the consulting services are necessary as required by Government Code, Section 2254.028(a)(3);
  - (C) each request for proposal, invitation to bid, or comparable solicitation related to the contract; and
  - (D) Subsections (d)(1)(B) and (C) shall not apply:
    - (i) to a healthcare enrollment contract;
    - (ii) to a contract of the Texas Department of Transportation that relates to highway construction or engineering, or is subject to Transportation Code, Section 201.112;
- (2) (A) certification signed by the executive director of the agency or other similar agency or institution administrator or designee of the agency or institution of higher education stating that the process used to award the contract, contract extension, or purchase complies with or is consistent with the following:
  - (i) State of Texas Procurement and Contract Management Guide; and
  - (ii) statutes, rules, policies, and procedures related to the procurement and contracting of goods and services, including compliance with conflict of interest disclosure requirements; or
- (B) if the process to award the contract, contract extension, or procurement did not comply with the requirements of Subsection (d)(2)(A)(i) and (ii), or if these requirements are found to be inapplicable, the agency or institution of higher education shall provide either a legal justification for the inapplicability of the requirements or an explanation for the alternative process utilized, and legal justification for the alternative process;

- (3) certification by the executive director of the agency or other similar agency or institution administrator or designee of the agency or institution of higher education that the agency or institution has a process for:
    - (A) verification of vendor performance and deliverables;
    - (B) payment for goods and services only within the scope of the contract or procurement order;
    - (C) calculation and collection of any liquidated damages associated with vendor performance; and
    - (D) when, why, or how to apply corrective action plans for continuing poor vendor performance;
  - (4) certification by the executive director of the agency or other similar agency or institution administrator or designee of the agency or institution of higher education that the agency or institution will comply with the requirement to provide information to the Vendor Performance Tracking System when the contract is completed;
  - (5) a copy of any vendor selection statements pertaining to the contract award required to be maintained in the state agency's contract file pursuant to Government Code, Section 2261.054; and
  - (6) any other information requested by the Legislative Budget Board before or after the Legislative Budget Board receives the notice as required by this section.
- (e) Except for a contract paid for exclusively using federal grant monies for which all parties to the contract and the terms of the contract have been determined by the federal government, a state agency or institution of higher education receiving an appropriation under this Act shall provide notice of a contract pursuant to this section without regard to the source of monies or method of finance associated with the expenditures, including a contract for which only non-appropriated monies will be expended.
- (f) If the agency does not satisfy the notification requirements of this section, the Director of the Legislative Budget Board may provide written notification to the Comptroller, Governor, and each of the members of the Legislative Budget Board detailing the requirements of this section that the agency did not meet and any recommendations to address identified risks related to the procurement or contract. The recommendations may include enhanced monitoring by Legislative Budget Board staff, auditing by the State Auditor's Office, required agency consultation with the Quality Assurance Team and/or Contract Advisory Team, or contract cancellation.
- (g) It is the intent of the Legislature that a written notice certified as required by this section should be considered a "governmental record" as defined under Penal Code, Chapter 37.

**Sec. 7.12 Notification of Non-Compliance with Contract Advisory Team Recommendations.** A state agency, as defined by Government Code, Section 2056.001, shall provide a copy of the written explanation regarding non-compliance with Contract Advisory Team (CAT) recommendations to the Legislative Budget Board no later than three business days after the explanation is provided to CAT pursuant to Government Code, Section 2262.101(d)(2).

**Sec. 17.09. Contract Management and Oversight.**

- (a) It is the intent of the Legislature that all agencies and institutions of higher education establish effective processes and controls to manage contracts and ensure the cost-effective use of state appropriations for contracted goods and services.
- (b) Agencies and institutions should manage contracts consistent with state statute, the General Appropriations Act, and the State of Texas Procurement and Contract Management Guide and ensure proper oversight of contract processes including:
  - (1) provide adequate time for applicable external reviews by the Quality Assurance Team (QAT) and Contract Advisory Team when establishing procurement timelines;
  - (2) follow recommendations made by the Contract Advisory Team or adequately explain any deviations from the recommendations and why the deviation is necessary;
  - (3) ensure proper justification for proprietary purchases and that contracts are established and approved by the Statewide Procurement Division of the Office of the Comptroller;
  - (4) ensure that contract award decisions are determined based on best value criteria established in solicitation documents to ensure fair and open competition;
  - (5) ensure that staff involved in contract management or administration duties are adequately trained to perform those duties;
  - (6) periodically review internal contracting practices and manuals to ensure that they are current and updated with current regulations and best practices;
  - (7) ensure that provisions related to service level and pricing mechanisms in existing contracts are correctly enforced;
  - (8) enforce damage provisions for vendor non-performance and collect monetary refunds for improper payments to vendors;
  - (9) ensure dollar values of performance bonds and insurance are consistent with risk of non-performance; and
  - (10) ensure that vendor performance is reported to the Vendor Performance Tracking System (VPTS) and that VPTS data is used in selecting vendors for contract awards.
- (c) Agencies shall make a good faith effort to identify and execute savings and efficiencies in their use of contracted goods and services. An agency or institution of higher education may not use monies appropriated elsewhere in this Act to pay for a contract for goods or services unless it:
  - (1) Seeks competitive bids or proposals before renewing or extending a contract that has been in effect more than five years and with a value that exceeds the lesser of \$10 million or 10 percent of the agency's All Funds budget for the 2026-27 biennium. The following contracts are exempt from the requirements of this Subsection (c)(1):
    - (A) TxSmartBuy, term, and cooperative contracts administered by the Comptroller or Department of Information Resources;
    - (B) grants;
    - (C) interagency contracts;
    - (D) contracts that relate to a construction project as defined by Government Code, Section 2166.001;
    - (E) contracts that relate to highway construction or highway engineering;
    - (F) contracts that relate to major information resources projects, as defined by Government Code, Section 2054.003(10);
    - (G) contracts not required by law to be competitively procured; and
    - (H) managed care contracts in the Medicaid and CHIP program.

- (2) Conducts a cost-benefit analysis to compare canceling or continuing any major information resource project and related contracts subject to QAT monitoring that is more than 50 percent over budget or 50 percent over schedule. QAT must approve the cost-benefit analysis for the project to continue. If this requirement is not met, corrective actions in Section 9.02 apply.
- (d) An agency or institution may request, with regards to a contract, an additional exemption from the requirements of Subsection (c)(1) by submitting a request to the Legislative Budget Board which outlines the justification for requesting the exemption. The request shall be considered to be approved unless the Legislative Budget Board issues a written disapproval within 30 business days of the date on which the staff of the Legislative Budget Board concludes its review of the proposal to exempt the contract and forwards its review to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House of Representatives, and Lieutenant Governor.

The request shall state that the agency or institution agrees to enhanced oversight of the contract upon Legislative Budget Board approval of the exemption. The Legislative Budget Board shall determine the level of enhanced oversight that is necessary or may choose to waive oversight. Enhanced oversight may include, but is not limited to, the following elements: additional reporting requirements, increased monitoring of the contract, and the formation of an executive steering committee for the project to which the contract relates. For information technology related contracts, an executive steering committee may include members of QAT and/or its designee(s). Responsibilities of an executive steering committee may include, but are not limited to, review of procurement and contract terms prior to solicitation/execution and ongoing oversight of the management of the contract. The Legislative Budget Board shall determine whether an agency or institution has met the requirements of enhanced oversight. If the Legislative Budget Board determines that the requirements have not been met, additional corrective actions, including but not limited to those specified in Section 9.02, may be applied.

- (e) It is the intent of the Legislature that agencies and institutions minimize the use of extensions that extend a contract beyond the base term and any optional extensions provided in a contract. An agency or institution may not use monies appropriated elsewhere in this Act to pay for an extension to an existing agency contract beyond the base term and optional extensions provided for in that contract unless all the following conditions are met:
  - (1) The extension is limited in duration and cost to not more than one additional option period, as defined in the contract, to address the immediate operational or service delivery needs. If a contract does not contain a defined option period, the extension is limited to one year.
  - (2) The agency or institution provides notice of the extension at least 30 calendar days prior to execution of the extension by uploading required information to the Legislative Budget Board contracts database. Required information includes but is not limited to: the cost of the contract; the duration of the contract; the reason for the extension of the contract; and a plan to ensure that the contract can be completed within the extension period, signed by the executive director or other similar agency or institution administrator, or designee of the agency or institution.
  - (3) The agency or institution ensures, prior to providing notice pursuant to Subsection (e)(2), that all information and documents specified in Section 7.11(d) have been uploaded to the Legislative Budget Board contracts database regardless of whether the information and documents are otherwise required to be uploaded under Section 7.11.
- (f) Each agency and institution of higher education that receives appropriations in this Act, shall provide a report to the Legislative Budget Board and the Governor that details the steps taken to ensure compliance with state procurement requirements and any other information required by the Legislative Budget Board. The report for activities undertaken in fiscal year 2026 is due not later than September 30, 2026, and a summary report for the 2026-27 biennium is due August 31, 2027.
- (g) The State Preservation Board is exempt from the competitive bidding process described by this section and by Government Code, Sec. 2269.101, Contract for Facilities: Competitive Bidding, for work related to legislative facilities.