

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0776-01
Bill No.: HB 174
Subject: Office of Administration; Contracts and Contractors; Governor and Lieutenant Governor; State Departments
Type: Original
Date: February 27, 2009

Bill Summary: This proposal requires the Governor to disclose information regarding tax credits and state contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$260,570 to Unknown)	(\$142,780 to Unknown)	(\$112,730 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$260,570 to Unknown)	(\$142,780 to Unknown)	(\$112,730 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Other State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	Unknown	Unknown	Unknown
Other State Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on FTE	Unknown	Unknown	Unknown

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor, Office of the State Treasurer, Department of Public Safety, Office of the Secretary of State, Department of Economic Development, Office of the State Auditor, Office of the State Courts Administrator, Department of Revenue, Department of Higher Education, Office of the Attorney General, Department of Insurance, Financial Institutions and Professional Registration, Department of Conservation** and the **Department of Labor and Industrial Relations** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the bill will require additional submissions with the Executive Budget document. BAP anticipates developing forms for impacted departments to submit with agency budget documents. There will be additional printing costs, but BAP should be able to absorb these additional costs within existing resources.

Officials from the **Department of Transportation** assume no fiscal impact from this proposal. MoDOT states they already keep this information in its databases, and it would not be difficult to supply it upon the Governor's request.

Officials from the **Department of Mental Health (DMH)** state the required disclosures for state contracts appear readily available, and the legislation also sets forth how the information should be reported on the web. Although it will require additional time to provide this information, DMH assumes the duties could be absorbed with current staff.

Officials from the **Department of Agriculture** assume any additional work requirements due solely to this legislation could be absorbed with existing staff. However, additional staff could be needed if other incremental responsibilities are also added by other legislative initiatives.

Officials from the **Department of Corrections (DOC)** state this proposed legislation, if passed into law, will have some impact on both the DOC Division of Human Services (DHS) Budget Section and Fiscal Management Unit (FMU), but it is anticipated that impact will be very minimal. Providing the additional information will take additional staff work hours, but much of the information is available through the FMU. The amount of work to add it to the annual budget will depend on the format that is required.

ASSUMPTION (continued)

There may be issues with providing the information requested in 26.057.1.(7) and 1.(8). Because funding has to be appropriated each year, it will be difficult to project whether the contract will be funded in the years beyond the governor's budget and to project total funding for a contract for the life of the contract. There are contracts that are established for multiple years that depend on prison population which varies from year to year, so it would be difficult to provide accurate projections for out years for those contracts. OA Division of Purchasing may be able to address some of these concerns on behalf of the state agencies.

Officials from the **Department of Natural Resources (DNR)** state they would submit information on current and proposed contracts for services delegated to the department as part of the Governor's Recommendation budget. The department would submit the detailed contract information to the Office of Administration so that it could be provided to the public.

DNR assumes the Office of Administration would be responsible for providing current contract information to the public. Additionally, the department assumes that it would be acceptable to report a vendor name as unknown for projected future contract needs since requests for proposals would likely not have been developed.

Finally, it is assumed there would be a workload impact related to this proposal. DNR would attempt to absorb the workload impact using existing resources. However, once procedures and processes are known, should the actual workload be more than the department's existing resources can absorb, then additional resources would be requested through the normal budget process.

Officials from the **Department of Elementary and Secondary Education** defer to the Office of Administration - ITSD.

Officials from the **Department of Health and Senior Services (DOHSS)** state the proposed legislation would require contract information to be submitted as part of the yearly budget. DOHSS would be required to provide a description of the contract and services being purchased; the name of the contractor and any subcontractors; the effective and expiration dates of the contract; the annual amounts paid to the contractor in the past two fiscal years and the current fiscal year by funding source; the annual amounts proposed to be paid in the current fiscal year by funding source; the amount projected to be paid in future years by funding source; and whether the contract was a sole-source procurement. This information as well as data regarding distribution of funds to contractors would be made available on the Missouri Accountable Portal.

ASSUMPTION (continued)

Regarding Section 26.057, DOHSS states they issue an estimated 5,300 contracts, participation agreements, and student loan contracts each year. Providing the information in the proposed legislation on each of the department's contracts will be very labor intensive. DOHSS does not currently have this data in a format to meet the legislation's requirements.

Staff in DOHSS' Division of Administration, Bureau of Financial Services, will be responsible for gathering and coordinating the pertinent information including the past, present, and proposed expenditures for each contract issued. To be able to handle this additional workload, DHSS would require a Planner II (Range A25-G). The Planner II's primary responsibilities would be to act as a liaison working with the department's other divisions to track current contracts and develop those that we anticipate awarding in the next budget cycle. This would be an on-going process and require maintenance and update on a year-round basis to be able to meet the requirements for the budget submission. DOHSS would have to develop new guidelines and change forms, etc. to be able to capture the data necessary for the requirement.

DOHSS does not have a method of compiling the required information to summarize as requested. DOHSS assumes that software would have to be purchased or developed to capture the required information to prepare the report for the contract information. The cost of the software is unknown until the requirements are defined and bids are received. Each contracting agency would have the same issues with trying to put together this data. Because of this, DOHSS assumes that this software will be implemented on a state-wide basis and the SAM II software will be modified to accommodate this legislation. We will defer to OA- ITSD to determine any costs for these changes. If DOHSS would incur costs for the software, additional funding would be needed and sought through the normal budget process.

DOHSS' Division of Senior and Disability Services (DSDS) assumes that the approximately 330 provider participation agreements and ten Area Agency on Aging (AAA) service agreements are included in the definition of "contract". DSDS estimates it will require one Accounting Specialist II (Range A25-G) to perform duties associated with the requirements of this proposal. Duties would include

- Collecting data from the SAM II Data Warehouse, the Long-Term Alternative Care Systems (LTACS) computer system, MO HealthNet reporting systems and other sources for over 340 contractors;
- Analyzing data to ensure accuracy and integrity;
- Compiling payment amounts for 345 contractors and their funding sources for inclusion in the Missouri Accountability Portal;
- Forecasting payments for 345 contractors by funding source in fiscal years beyond the current budget submission;

ASSUMPTION (continued)

- Preparing reports, data, and official documents for submission with the annual budget;
- Exploring methods to streamline and improve efficiency in collecting data and preparing reports and forecasts for budget submissions; and
- Coordinating with the Division of Administration.

Standard per FTE expense and equipment costs are included in this fiscal estimate. Because some of the activities would be associated with MO HealthNet contractors, the blended federal participation rate of 46 percent GR and 54 percent federal funds was applied to the cost estimate for personal services and expense and equipment for DSDS.

In summary, the DOHSS assumed a total cost for two additional FTE to be roughly \$105,000 per year from the General Revenue fund and \$50,000 per year from Federal Funds.

In response to similar proposals from this year (Senate Bills 155 & 162), officials from the **Department of Social Services - Children's Division (DOSS CD)** stated that assuming this bill includes all contracts such as with foster care parents, adoption subsidy parents, child care providers, and other service providers, in the Family Support and Children's Divisions combined, there are in excess of 33,000 service contracts alone. In order to meet the requirements this legislation proposes, additional staff will be required to gather and maintain the requested information. If you assume each contract will take 10 minutes of preparation time, 2.6 employees will be required per the following calculation:

$33,000 \text{ contracts} / 6 \text{ contracts per hour} / 2080 \text{ work hours} = 2.64 \text{ employees}$

Three (3) additional FTE are needed - 2 Management Analysis Specialist II and one Administrative Office Support Assistant. The Two (2) MAS II staff would be required to gather expenditure data by program division, by vendor, by contractor and subcontractor, by funding source for multiple fiscal years. In addition, these staff would be analyzing and estimating future expenditures by funding source. Knowledge in the areas of purchasing, federal claiming, and budgeting are crucial. In addition, an AOSA is needed as a support staff to assist in maintaining and gathering the required data. In addition, there will be an increase in printing costs due to the increase in the size of these Division's budget books, but can be absorbed by current resources.

If the intent of this legislation means to exclude such service contracts as foster care, adoption subsidy, child care, etc., less than one staff would be needed to fulfill the requirements of this legislation. However, currently language does not exist to exempt these contracts; therefore we are providing a fiscal impact assuming all contracts are to be included.

ASSUMPTION (continued)

The Children's Division assumes the cost of these three additional FTE to be roughly \$140,000 from General Revenue and \$53,000 from Federal Funds.

In response to similar proposals from this year (Senate Bills 155 & 162), officials from the **Department of Social Services - Research and Evaluation Division (DOSS - Research)** stated the bill will require more work with budget submissions and more coordination with the Office of Administration. To meet the requirements of RSMo 26.057, the agency will need to get information about state-wide service contracts from the Office of Administration. This will also create larger budget books, more paper and more printing. Printing cost should be absorbed with current resources.

DSS assumes the bill will also require entry of a number of service contracts into the SAM II system to facilitate the feed of information to the Missouri Accountability Portal and a 3-step payment process for invoices related to those contracts, versus the one-step payment process currently utilized in Social Services. (RSMo 26.057.4). To accomplish these tasks, the Department will need two staff in the purchasing area; an Account Clerk II (A12, H) and an Accountant I (A18, H). This will cost \$87,850 in the first fiscal year.

The one step to still be captured would be the subcontractor information. Some contractors use subcontractors specifically to meet MBE/WBE requirements, and that information should be shared with OA. However, the SAM II system does not house subcontractor information currently for all contracts. (RSMo 26.057.1 (3)).

Since more information is required in budget books (a description of the contract and services being purchased, the name of the contracting agency, the name of the contractor and any subcontractors, the contract period, payments over the last two fiscal years and the current fiscal year by funding source, the anticipated payment by fund source for the next budget year, anticipated payment for future fiscal years (during life of the contract) by fiscal year and funding source and whether the contract was sole source procurement) and the budget books are in a written format, the books will be larger. This will result in more paper and printing costs, which would be managed with existing resources. (RSMo 26.057.1)

There will also be a time element with coordination with the Office of Administration. The information is required to be posted on the Missouri Accountability Portal, allowing for search by tax credit category, customer, or legislative district. Reporting contract information should be accomplished with a link to the current database that feeds the OA site. One remaining issue to be resolved is how to get agency contracts to the site, but some agency contracts are recorded in the SAM II system. OA will be required to coordinate this process,

since it is

ASSUMPTION (continued)

responsible for both the statewide contracting process and entry into SAM II. It is also required by this bill to update the information daily. DSS assumes the technology costs for the links will be provided by OA.

Tax credit information will also be required to be reported on the Missouri Accountability Portal. This will require OA to coordinate with the Departments of Economic Development and Revenue. Some minor changes to current wording on the site will need to be done and Social Services tax credits will need to be included in the information reported on the site. (RSMo 26.057.4)

In Social Services, the question of the tax credit information would pertain to the Residential Treatment Tax Credit. Agencies are eligible to receive contributions by virtue of having a contract with the Department of Social Services. A list of agencies is available on the Social Services web site. The Department of Revenue records tax credit information and would need to be included in the process. OA will need to coordinate the linking of the information and get it to feed the Accountability Portal. (RSMo 26.057.4). Qualifying agencies for the Crisis Nursery portion of the Children in Crisis Tax Credit also must have a contract with the Department of Social Services. Again, the information will need to get fed to the Accountability Portal.

In summary, the Department of Social Services - Research and Evaluation Division assume a cost of roughly \$65,000 per year to the General Revenue Fund as well as \$28,000 per year to Federal Funds.

In response to similar proposals from this year (Senate Bills 155 & 162), officials from the **Department of Social Services - Divisions of Legal Services, Youth Services, Human Resource Center**, and **MO HealthNet** assumed the proposal would not fiscally impact their agencies.

Officials from the **Office of Administration - Information Technology Services Division (OA - ITSD)** state the Missouri Accountability Portal website uses information from the State of Missouri SAM II processing systems and tax credit information from the Department of Economic Development to obtain its information. Several items listed in the bill require the web system to display information that is currently not captured in SAM II. To use SAM II to obtain the information requested in the bill would require adding new fields to SAM II, the Financial Data Warehouse and other legacy systems. In addition, the information would need to be required to be entered into the system and past historical data would need to be compiled. This

would require hiring 1.5 FTE and using consulting services to make changes to our existing SAM II system and making modifications to the Missouri Accountability Portal website to

ASSUMPTION (continued)

display the required information.

Several items listed in the fiscal note require the web system to display information that is currently not captured on any SAM II document or window. In addition, we know of no state-wide policy requiring contracts to be set up in SAM II, thus most agencies do not. OA/Division of Purchasing and Materials Management sets up the contracts that are for statewide use in SAM II and agencies may reference those contracts when creating their purchase orders. In summary, collecting the data listed in the fiscal note data would require adding new fields to the Price Agreement Master (AM) document, SAM II Financial, the Financial Data Warehouse, legacy systems, and possibly rewriting the MBE/WBE reporting system.

OA - ITSD states that below is a summary of process changes that have been identified:

1. New fields would need to be added to the SAM II Price Agreement Master document and to SAM II Financial and the Data Warehouse to store them.

Specifically, those fields are:

26.057.1(1) - Description of the contract and services. SAM II allows a 60 character description. Current descriptions contain a lot of abbreviations or a very generic description. Description is not a required field. This field should be expanded and an edit added to require an entry.

26.057.1(3) - Name of contractor and any subcontractor. SAM II pays the contractor who then pays his subcontractors. SAM II does not have an automated way to keep track of how much the contractor pays the subcontractors or who a contractor's subcontractors are. For MBE/WBE reporting purposes, staff within OA/Division of Purchasing and Materials Management manually collect that information for the contracts they administer and enter subcontractor information into a SAM II window. That activity would have to be performed by all state agencies that administer their own contracts. In addition, the information on that window does not include funding source (item 5) which would have to be added. Any changes to this window will affect the Office of Supplier and Workforce Diversity MBE/WBE report processes.

26.057.1(6) - The annual amount proposed to be paid to the contractor under the proposed budget by funding source. In some cases this information may not be known. Proposed Amount

and Funding Source fields would need to be added. Assuming this information was to be available, there may be multiple funding sources, and multiple occurrences of these fields will be needed.

ASSUMPTION (continued)

26.057.1(7) - The annual amount projected to be paid to the contractor in the fiscal years beyond the governor's budget by funding source. In some cases this information may not be known. Assuming this information was available, multiple occurrences of Fiscal Year, Projected Amount, and Funding source would need to be added to store this information.

26.057.1(8) - The total projected cost of the contract for all fiscal years by funding source. Multiple occurrences of Fiscal Year, Projected Cost, and Funding source would need to be added to store this information.

26.057.1(9) - Whether the contract was a sole-source procurement. A field would need to be added to record and display this information.

26.057.1(5) - The annual amount paid to the contractor in the past two fiscal years and the current fiscal year under the contract by funding source. Historical data would not be available for any contract not currently tracked in SAM II. For contracts that are in SAM II, staff would need to process price agreement master documents to update the information in the new fields or a conversion process would need to be developed to insert the information from spreadsheets or interface files.

2. We have not estimated the cost or FTE impact to agencies if the changes are made to SAM II as outlined above or the policy is changed to require them to establish their contracts in SAM II and reference them on payment documents. Most state agencies have a legacy system interface for purchase orders or payment vouchers. One or two interface the Price Agreement Master document. Those agencies would need to modify their legacy systems to capture the additional fields outlined above so that the fields can be populated on the interfaced document. Agencies that interface purchase order documents would need to change their process to use the price agreement purchase order document type and possibly create new interfaces to set up the contracts on a Price Agreement Master document.

3. In order for this to be effective and accurate, policy must require that all state agencies set up their contract information in SAM II and reference the contract on all payments. This would be a significant process change and possibly a workload increase for the agencies but is

necessary in order to obtain the information in an automated fashion.

4. MAP does not report information by Fund. Modifications to the SAM II extract and MAP window presentations, selections, searches, and help panels would need to be developed to report the information by fund. The MAP expenditure database tables would need to be reloaded for all fiscal years with the new Fund breakdown.

ASSUMPTION (continued)

To ensure that all additional requirements of this legislation are met, ITSD would require at least 6 months time, one full-time Computer Information Technology Specialist I and one half-time Computer Information Technologist III to maintain and support the system, and \$200,000 in consulting services to modify SAM II and to implement the website.

The information contained in this document is preliminary. Further analysis may be needed to determine additional costs and levels of effort each consolidated area of ITSD (i.e. ITSD - DED, ITSD - DOC, etc.) would require to comply with this legislation. The analysis would include the level of effort required to modify agency legacy systems and to capture and maintain the requested information.

Fiscal impact was determined for the development and maintenance of the 'contract services' website. Each agencies' continuing costs to enter historical and current contract information into the system is unknown at this time.

All salary levels fringe benefits were calculated per Oversight Division guidelines. The expenses and equipment costs were calculated per OA budget guidelines and adjusted for inflation.

OA - ITSD assumes a cost for the additional FTE and consulting services to total \$260,570 in FY 2010, \$142,780 in FY 2011 and \$112,730 in FY 2012.

Officials from the **Office of Administration - Division of Purchasing and Materials Management (OA - DPMM)** state this legislation would require extensive analysis to obtain the information available through the State's financial system before submitting annual budget forms. Some information required in this bill is not currently available through the system such as annual amount proposed to be paid to the contractor and the amount projected to be paid to the contractor in the fiscal years beyond the governor's budget by funding sources.

OA - DPMM states the legislation would apply to all of the professional and general services contracts awarded by DPMM. To ensure that all additional requirements of this legislation are met, DPMM would need an additional Buyer IV position. The new Buyer would gather, sort,

and compiled the information into a comprehensive analyses of the service contracts procured by DPMM.

The Buyer IV position (range 32) was budgeted at the starting salary step (after probation) and adjusted for inflation in subsequent years. Fringe benefits were calculated per Oversight Division guidelines. The expenses and equipment costs were calculated per OA budget guidelines and adjusted for inflation.

ASSUMPTION (continued)

Oversight will reflect the costs as estimated by OA - ITSD. With the varying responses to the proposal from state agencies, Oversight will reflect an 'unknown' costs to General Revenue as well as other state funds for agencies to comply with the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Costs - OA - ITSD</u>			
Personal Service (1.5 FTE)	(\$58,478)	(\$72,279)	(\$74,447)
Fringe Benefits	(\$28,438)	(\$35,149)	(\$36,204)
Expense and Equipment	(\$6,987)	(\$2,019)	(\$2,079)
IT Services Consulting	<u>(\$166,667)</u>	<u>(\$33,333)</u>	<u>\$0</u>
<u>Total Costs - OA ITSD</u>	(\$260,570)	(\$142,780)	(\$112,730)
FTE Change - OA ITSD	1.5 FTE	1.5 FTE	1.5 FTE
 <u>Costs - various state agencies - to comply with disclosure of information regarding state contracts</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 (\$260,570 to <u>Unknown</u>)	 (\$142,780 to <u>Unknown</u>)	 (\$112,730 to <u>Unknown</u>)
 Estimated Net FTE Change for General Revenue	 1.5 FTE to Unknown	 1.5 FTE to Unknown	 1.5 FTE to Unknown

OTHER STATE FUNDS

<u>Costs</u> - various state agencies - to comply with disclosure information regarding state contracts	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill requires the Governor to submit certain specified contract information and the total cost of contracting for services as part of his or her state budget request, and the Office of Administration must provide the public with up-to-date information relating to state contracts and tax credits on the Missouri Accountability Portal web site.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Governor
Office of Administration
Department of Economic Development
Department of Revenue
Department of Social Services

Department of Mental Health
Department of Health and Senior Services
Department of Conservation
Office of the State Courts Administrator
Department of Elementary and Secondary Education
Department of Corrections
Office of the Attorney General
Department of Agriculture

SOURCES OF INFORMATION (continued)

Department of Higher Education
Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Labor and Industrial Relations
Department of Public Safety
Office of the Secretary of State
Office of the State Treasurer
Office of the State Auditor



Mickey Wilson, CPA
Director
February 27, 2009