

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4457-03
Bill No.: HB 1715
Subject: Contracts and Contractors; Office of Administration; State Employees
Type: Original
Date: February 19, 2014

Bill Summary: This proposal changes the laws regarding contracting between private companies and the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$60,777)	(\$72,813)	(\$73,630)
Total Estimated Net Effect on General Revenue Fund	(\$60,777)	(\$72,813)	(\$73,630)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

- 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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Purchasing and Materials Management (DPMM)** assume this proposal will require any contracts awarded by DPMM to a private company be posted on the accountability portal. Also, DPMM will have to obtain the names and addresses of all subcontractors participating on the contract. If issuing a RFP for service currently provided by the state, DPMM would be required to notify the state employees currently providing the service 45 days before the RFP is due and give the affected state employees the opportunity to bid to provide the services. If DPMM awards a contract to a private company for services currently provided by state employees, DPMM must provide a notice to affected state employees and post the bid documentation on the accountability portal at least 45 days before the effective date of the contract.

Oversight assumes that DPMM can absorb the cost of the required notifications within their existing resources.

Officials at the **Office of Administration's Information Technology Services Division (ITSD)** assume this proposal applies to all state agencies and includes those not currently supported by ITSD. ITSD would be responsible for posting documents to the portal or creating links to the portal from various agency systems. It is anticipated to take one full time position (Information Technologist IV) to manage this process.

Oversight has, for fiscal note purposes only, changed the starting salary for the Information Technologist IV to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials at the **Department of Agriculture**, the **Department of Corrections**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Public Safety**, the **Department of Revenue**, the **Department of Social Services** each defer to the Office of Administration for fiscal impact.

ASSUMPTION (continued)

Officials at the **Department of Conservation**, the **Office of Administration's Division of Accounting**, the **Office of the State Auditor**, the **Office of the State Public Defender** and the **Office of State Treasurer** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Missouri Veterans Commission** assume this proposal could potentially involve shifting funds from personal service to equipment and expenses to pay for contracted services.

Officials at the **Office of State Courts Administrator** assume there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the Department of Higher Education, Missouri Department of Transportation and the Office of Prosecution Services did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Cost - Information Technology Service Division</u>			
Personal Service	(\$36,550)	(\$44,299)	(\$44,742)
Fringe Benefits	(\$18,642)	(\$22,595)	(\$22,821)
Equipment and Expenses	(\$5,585)	(\$5,919)	(\$6,067)
Total Costs - ITSD	<u>(\$60,777)</u>	<u>(\$72,813)</u>	<u>(\$73,630)</u>
FTE Change - ITSD	1 FTE	1 FTE	1 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(\$60,777)</u>	 <u>(\$72,813)</u>	 <u>(\$73,630)</u>
 Estimated Net FTE Change on General Revenue	 1 FTE	 1 FTE	 1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	 <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

For any contract between a private company and the State of Missouri, this bill requires the Office of Administration to post on the Missouri Accountability Portal a copy of each contract and request for proposal for goods and services purchased by the state unless otherwise prohibited by law. If the state issues a request for proposal for a service currently provided by the state, the Office of Administration must give notice to the state employees currently providing the service 45 days before the request for proposal is due. The state employees affected may submit their own bid to continue to provide the service. The state or any of its agencies may enter into a service contract only if the cost of the proposed contract is less than the current costs or any proposal submitted by state employees currently providing the service. When calculating cost, the state must include salaries and fringe benefits as well as the cost of rent, equipment,

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FISCAL DESCRIPTION (continued)

utilities, materials, and any transitional costs. If a private company's request for proposal is approved, the Office of Administration must provide notice to affected state employees and post a copy of the contract and all requests for proposals on the portal 45 days prior to the effective date of the contract.

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

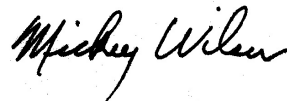
SOURCES OF INFORMATION

Department of Agriculture
Department of Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Social Services
Missouri Veterans Commission
Office of Administration
 Division of Accounting
 Division of Purchasing and Materials Management
 Information Technology Services Division
Office of Attorney General
Office of the Secretary of State
Office of the State Auditor
Office of State Courts Administrator
Office of the State Public Defender
Office of State Treasurer

SOURCES OF INFORMATION (continued)

Not Responding

Department of Higher Education
Missouri Department of Transportation
Office of Prosecution Services



Mickey Wilson, CPA
Director
February 19, 2014

Ross Strobe
Assistant Director
February 19, 2014