

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0747-01
Bill No.: HB 206
Subject: Business and Commerce; Construction and Building Codes; Cities, Towns and Villages; Counties
Type: Original
Date: February 19, 2015

Bill Summary: This proposal establishes the Partnership for Public Facilities and Infrastructure Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$1,166,689)	(\$1,329,210)	(\$1,342,638)
Total Estimated Net Effect on General Revenue	(\$1,166,689)	(\$1,329,210)	(\$1,342,638)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
State Facilities Maintenance & Operations	(\$2,287,971)	(\$2,506,682)	(\$2,535,683)
University Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(Unknown greater than \$2,287,971)	(Unknown greater than \$2,506,682)	(Unknown greater than \$2,535,683)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	19 FTE	19 FTE	19 FTE
State Facilities Maintenance & Operations Fund	25 FTE	25 FTE	25 FTE
Total Estimated Net Effect on FTE	44 FTE	44 FTE	44 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Facilities Maintenance, Design and Construction (FMDC)** assume the impact will vary greatly depending on the number of projects proposed by the private sector. Likely costs of this legislation could be considerable. FMDC will require additional licensed architects and engineers, lawyers, accountants, financial experts and budget analysts and/or contract costs to cover the team of specialists, which are dependent upon the number and complexity of projects ultimately funded. Additional specialists would be required to determine the cost/benefits of a particular project. There are also requirements for posting on the web and advertising, which takes additional staff time.

Partnership statutes are a mix of public and private funding and FMDC would expend a lot of time analyzing the different proposals. A private consulting firm may need to be retained per project to help state officials make an award determination. If a project is approved and funded, additional oversight will be required for monitoring construction, leases and revenue.

FMDC is unable to determine a true overall cost impact. Additional staffing would be requested and considered through the appropriation process in the General Assembly.

Given FMDC's current staffing and workload and due to the complexity of a "Partnership for Public Facilities and Infrastructure"; FMDC would be required to pool new resources into a unit to achieve a common goal to watch out for state's assets. Based on FMDC's current division structure FMDC would need additional FTE based in its Project Management Unit, CI Planning Unit and Contracts Unit. FMDC would also need additional space of 25 - FTE times 300 square foot per FTE time \$14.00 square foot = \$105,000.

In summary, FMDC assumes an annual cost of approximately \$2.5 million for the additional 25 FTE. The cost is reflected in the State Facilities Maintenance & Operations Fund.

Officials at the **Office of Administration's Division of Purchasing and Materials Management (DPMM)** assume the additional posting time required would delay the award process. DPMM's advertising budget would minimally double. Due to the complexity of conducting the negotiation process, DPMM would need to hire the following additional staff: 6 Buyer IV, 6 Buyer III, and 1 AOSA position (§§34.500.c and 343.500.d). Due to the complexity of conducting the review and approval process, DPMM would need to hire the following additional staff: 2 Buyer IV, 2 Buyer III, and 1 AOSA position (§§34.503-34.509).

ASSUMPTION (continued)

In summary, the DPMM assumes an annual cost of approximately \$1.3 million for the additional 18 FTE. The cost is reflected in the General Revenue Fund.

Officials from the **Missouri Department of Conservation** assume this proposal will have a negative unknown fiscal impact on the Department funds of more than \$100,000 annually.

Officials from the **Office of the State Auditor (SAO)** assume that the required duties in relation to this proposal would require at least, but possibly more than, 1 FTE for the SAO to perform this periodic review and maintain this information on our website.

The number of comprehensive agreements that will be executed and submitted to the SAO is impossible to determine. This number would impact the number of FTE needed.

We can not determine how often the reviews of these agreements would take place since the language states that the SAO shall "periodically" review the agreements. The number of times these reviews are required to take place would impact the number of FTE needed.

We can not determine the amount of storage space our network would consume since we can not estimate the number of agreements that would be submitted. The amount of time and staff involvement to provide technical assistance to the commission cannot be reasonably anticipated without knowing the number of agreements that would be submitted.

In conclusion, we will require at least 1 FTE (Senior Auditor I; \$41,753 annually), at this time, with a total cost of approximately \$65,000 per year to the General Revenue Fund.

Officials from the **Department of Elementary and Secondary Education** assume there does not appear to be an increased cost to the state in regards to the foundation formula. However, the potential for state and local savings is assumed. Any potential savings is unknown due to the unique needs of communities and multi-jurisdiction public entities.

Officials at the **Office of Attorney General (AGO)** assume the proposal prohibits certain entities from accepting certain benefits, and assesses penalties for doing so. The AGO is charged with enforcing these provisions in new §34.563 of the proposal. The AGO assumes costs associated with this enforcement could be absorbed with existing resources, but would seek additional appropriations if significant enforcement efforts were required.

ASSUMPTION (continued)

Officials from the **Northwest Missouri State University** assume there will be an impact, but are not sure it would be a financial impact. The University states that they take their delegation from Office of Administration - Division of Purchasing, and would need to see that they would delegate after the proposal.

Officials from the **Missouri State University** assume this proposal would have a negative fiscal impact, the specific amount and extent of which cannot be determined and quantified at this time.

Officials from the **State Technical College of Missouri** assume this proposal would have a minimal positive impact to their college.

Officials from the **University of Missouri** assume this proposal would not have a financial impact on the University in excess of \$100,000.

Officials from the **City of Kansas City** assume there may be administrative costs and staff time connected with the review of a proposal, under section 34.515 or 34.503.1, if those cannot be recouped in fees. The exact amount cannot be ascertained at this time.

Officials from the **City of Columbia** cannot quantify the specific fiscal impact but it expects significant additional administrative time to comply with the requirements of the proposal.

Oversight assumes that this proposal requires a penalty be assessed for violations of §34.563. Oversight assumes that due to the severity of the penalty, officials will comply with the requirements and no penalties would be assessed.

Oversight assumes that due to the complexity of the proposal it is difficult for local political subdivisions and universities to place a definitive cost on this proposal. Oversight assumes that local political subdivisions and universities will be subjected to these new requirements and will have increased administrative costs to comply. Oversight will show the impact as unknown to local political subdivisions and university funds.

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

ASSUMPTION (continued)

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 from the **Department of Agriculture, Department of Higher Education, the Department of Mental Health, the Department of Public Safety - Missouri Veterans Commission, the Office of the Governor, the Legislative Research, the Missouri House of Representatives, the Department of Transportation, the Office of Prosecution Services, the Office of the State Courts Administrator, the Missouri Senate, the Office of the State Public Defender, the Office of the State Treasurer, the Metropolitan Community College of Kansas City, the County of St. Louis, the Missouri Western State University, the University of Central Missouri, and the Springfield Police Department** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Natural Resources, the Department of Corrections, the Department of Labor and Industrial Relations, and the Department of Revenue** each defer to Office of Administration for the fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost - Division of Purchasing</u>			
Personal Service	(\$683,180)	(\$828,014)	(\$836,294)
Fringe Benefits	(\$355,288)	(\$430,609)	(\$434,915)
Equipment and Expenses	<u>(\$70,352)</u>	<u>(\$6,581)</u>	<u>(\$6,779)</u>
<u>Total Costs - DPMM</u>	(\$1,108,820)	(\$1,265,204)	(\$1,277,988)
FTE Change - DPMM	18 FTE	18 FTE	18 FTE
<u>Cost - Office of State Auditor §34.551</u>			
Personal Service	(\$34,794)	(\$42,171)	(\$42,592)
Fringe Benefits	(\$17,747)	(\$21,509)	(\$21,724)
Equipment and Expenses	<u>(\$5,328)</u>	<u>(\$326)</u>	<u>(\$334)</u>
<u>Total Costs - State Auditor</u>	(\$57,869)	(\$64,006)	(\$64,650)
FTE Change - SAO	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>(\$1,166,689)</u>	<u>(\$1,329,210)</u>	<u>(\$1,342,638)</u>
Estimated Net FTE Change on General Revenue	19 FTE	19 FTE	19 FTE
STATE FACILITIES MAINTENANCE & OPERATIONS FUND			
<u>Cost - Division of Facilities Maintenance</u>			
Personal Service	(\$1,226,347)	(\$1,486,332)	(\$1,501,195)
Fringe Benefits	(\$625,498)	(\$758,104)	(\$765,685)
Equipment and Expenses	(\$331,126)	(\$154,621)	(\$158,487)
Rental Space	<u>(\$105,000)</u>	<u>(\$107,625)</u>	<u>(\$110,316)</u>
<u>Total Costs - FMDC</u>	(\$2,287,971)	(\$2,506,682)	(\$2,535,683)
FTE Change - FMDC	25 FTE	25 FTE	25 FTE
ESTIMATED NET EFFECT ON STATE FACILITIES MAINTENANCE & OPERATIONS FUND			
	<u>(\$2,287,971)</u>	<u>(\$2,506,682)</u>	<u>(\$2,535,683)</u>
Estimated Net FTE Change on State Facilities Maintenance & Operations Fund	25 FTE	25 FTE	25 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
UNIVERSITY FUNDS			
<u>Cost - increased administrative expenditures for compliance</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - Increased administrative expenditures for compliance</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses may be impacted by the changes to the purchasing procedures.

FISCAL DESCRIPTION

The proposed legislation creates and defines the requirements of the Partnership for Public Facilities and Infrastructure Act.

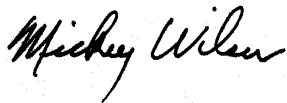
This legislation is not federally mandated, would not duplicate any other program and would require rental space for approximately 25 employees, totaling \$105,000 per year.

SOURCES OF INFORMATION

Attorney General's Office
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety - Missouri Veterans Commission
Office of the Governor
Legislative Research
Missouri Department of Conservation
Missouri House of Representatives
Department of Transportation
Office of Prosecution Services
Office of Administration
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Metropolitan Community College of Kansas City
County of St. Louis
Missouri Western State University
University of Central Missouri
Springfield Police Department

SOURCES OF INFORMATION (continued)

State Technical College of Missouri
Northwest Missouri State University
Missouri State University
University of Missouri
City of Kansas City
City of Columbia



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February 19, 2015

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