

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5160-08
Bill No.: SCS for HCS for HB 1912
Subject: Boards, Certificate of Need; Contracts and Contractors; Counties; County Government; County Officers; Health Care; Hospitals; Public Buildings; Public Health
Type: Original
Date: May 4, 2016

Bill Summary: This proposal contains provisions relating to counties and certificates of need.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or Less than \$100,000	\$0 or Less than \$100,000	\$0 or Less than \$100,000
Total Estimated Net Effect on General Revenue	\$0 or Less than \$100,000	\$0 or Less than \$100,000	\$0 or Less than \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
University Funds	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)	\$0 or (Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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 2017	FY 2018	FY 2019
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

§§49.410, 49.420, 49.430, 49.440, 50.660, 50.783, 50.790, 55.161, 64.875

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume section 50.790 reduces a local government fine from between \$50 to \$1,000 to no more than \$100. Depending on the implementation of the current fine, this may reduce total state revenue.

In response to a previous version, officials at **Cole County** assumed this legislation has potentially both positive and negative fiscal impacts to Cole County. Specifically, the changes to section 50.660.1 that raise the competitive bidding amount requirement would save the County money in advertising for bids. However, the change to the requirement that contracts be in writing and signed by the auditor to only those over \$10,000 has the potential to expose the County to extra liability and negative financial impact, in that it impairs the County's defense in cases where unauthorized employees and officials make purchases that create a financial obligation to the County but which are not in the budget. Cole County has had this situation in the past where individuals made unauthorized purchases of goods and services that exceeded budgetary allotments, and the County was able to defend itself from these claims because the purchases were not in writing signed by the Commission and the County Auditor.

§192.300

In response to a previous version, officials at the **Department of Health and Senior Services**, and **Department of Agriculture** each assumed this proposal will not have a fiscal impact on their respective organizations.

§197.315

In response to a previous version, officials from the **University of Missouri Health Care** stated they have reviewed the proposed legislation and determined that, as written, it will create additional expenses in excess of \$100,000 annually.

Oversight notes the provisions at section 197.315.10 provides that the Certificate-of-Need (CON) "application fee is one thousand dollars, or one-tenth of one percent of the total cost of the proposed project, whichever is greater...". In addition, based on available information, it appears the provisions of this proposal would only apply to the University of Missouri Health Care and the Women's and Children's Hospital. For fiscal note purposes only, Oversight is

ASSUMPTION (continued)

presenting the University of Missouri Health Care and Women's and Children's Hospital costs under "University Funds". This is not intended to indicate that the Health Care System's costs are actual costs to the University.

Oversight assumes the University Health Care System would not plan to purchase additional equipment or build new hospitals on an annual basis in an amount exceeding \$100,000,000 to incur costs greater than \$100,000 annually in Certificate of Need fees (\$100,000,000 project costs X 0.001 = \$100,000). Therefore, Oversight will present the University Health Care System's proposed costs as \$0 or less than \$100,000 annually.

In response to a previous version, officials from the **Department of Health and Senior Services** and the **Department of Social Services, MO HealthNet Division** and **Division of Legal Services** each assumed the proposal would not fiscally impact their respective agencies.

Oversight notes that at the July 2015 Missouri Health Facilities Review Committee meeting, the committee defeated a Certificate of Need application from Fulton Medical Center (in partnership with the University of Missouri) for a 10 bed hospital in southern Columbia. The projected cost of the project was \$36,157,928; therefore, Oversight assumes the applicant paid an application fee (into the General Revenue Fund) of \$36,157. Oversight will assume the fiscal impact of this change will be \$0 or less than \$100,000 per year.

Bill as a whole

Officials at the **Callaway County Commission** assume an unknown positive fiscal impact from this proposal.

Officials at the **Office of Administration's Facilities Management, Design and Construction**, the **Department of Revenue**, the **Department of Natural Resources**, the **Department of Conservation**, the **Department of Mental Health**, the **Department of Agriculture** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at the **Office of the State Courts Administrator**, the **Department of Public Safety's Missouri Highway Patrol**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Social Services** and the Office of Prosecution Services each assumed no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

Officials at **St. Louis County**, the **Independence City Health Department** and the **Columbia/Boone County Department of Public Health and Human Services** each assume no fiscal impact to their respective entities from this proposal.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Income - DHSS (§197.315)</u>			
CON fees for certain facilities operated by the state	\$0 or Less than <u>\$100,000</u>	\$0 or Less than <u>\$100,000</u>	\$0 or Less than <u>\$100,000</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 or Less than <u>\$100,000</u>	\$0 or Less than <u>\$100,000</u>	\$0 or Less than <u>\$100,000</u>
UNIVERSITY FUNDS			
<u>Costs - State-Operated Hospitals (§197.315)</u>			
Certificate-of-Need application fees	\$0 or (Less than <u>\$100,000)</u>	\$0 or (Less than <u>\$100,000)</u>	\$0 or (Less than <u>\$100,000)</u>
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	\$0 or (Less than <u>\$100,000)</u>	\$0 or (Less than <u>\$100,000)</u>	\$0 or (Less than <u>\$100,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
COUNTY FUNDS			
<u>Savings</u> - raises the amount when advertising for bids (\$50.660)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON COUNTY FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal.

FISCAL DESCRIPTION

Sections 49.410, 49.420, 49.430, 49.440

This bill eliminates the position of superintendent of county buildings and specifies that the county commission will assume some of the superintendent's duties and the commission can contract for oversight and direction of the execution of a building project.

Section 50.660

This bill establishes a minimum threshold of \$10,000 above which contracts and orders must be in writing and must have a matching unencumbered balance in the fund from which it will be made. Currently, all contracts must meet these requirements. This bill increases the threshold from \$6,000 to \$10,000 below which advertising is not required for bid proposals and increases the threshold from \$4,500 to \$10,000 below which bids are not required for purchases from any one person or entity during a fiscal year.

Sections 50.783 and 50.790

Currently, a county commission may waive competitive bidding when it determines in writing and enters into the commission's minutes that there is only one feasible source for the supply. The commission must post notice for proposed purchases of \$3,000 or more and also advertise in the newspaper for purchases of \$5,000 or more. The bill changes the notice threshold to more than \$5,000 but less than \$10,000, and changes the advertising threshold to \$10,000. The bill changes from a misdemeanor to an infraction a violation by county commissioners of the requirement to obtain a pre-purchase order or requisition, and changes the allowable fine from between \$50 to \$1,000 to \$100.

Sections 55.161 and 64.875

This bill repeals the requirement that auditors in counties of the first and second classification must countersign all liquor licenses; clarifies that county commissions can amend zoning districts only upon recommendation by the county planning or county zoning commission and only after a hearing by the county commission; and prohibits county collectors or the collector of taxes in the

FISCAL DESCRIPTION (continued)

city of St. Louis from issuing a refund or credit for taxes erroneously or mistakenly levied against a taxpayer without authorization from a county commission, board of equalization, or court of competent jurisdiction.

Section 192.300

Currently, both county commissions and county health center boards may make and establish orders, ordinances, rules or regulations under certain circumstances, but cannot conflict with any rules or regulations of the Department of Health and Senior Services or the Department of Social Services. This bill would allow only county commissions with the concurrence of the county health center boards to make and establish orders, ordinances, rules or regulations. In addition, those orders, ordinances, rules or regulations cannot conflict with the rules and regulations of the Department of Natural Resources or regulate any structure used for agricultural purposes or activity exclusively in connection with the production, harvesting, storage, drying, or raising of agricultural commodities.

Section 197.315

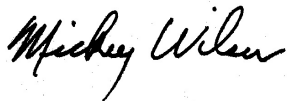
Currently, facilities operated by the state are not required to obtain a certificate of need, appropriation of funds to such facilities by the General Assembly are deemed in compliance with certificate of need provisions, and such facilities are deemed to have received an appropriate certificate of need without payment of any fee or charge. This bill requires hospitals operated by the state and licensed under Chapter 197 to obtain a certificate of need and comply with the other provisions of certificate of need except for Department of Mental Health state-operated psychiatric hospitals.

Section 197.315 contains an emergency clause.

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 Administration
 Division of Facilities Management, Design and Construction
 Divisions of Budget and Planning
St. Louis County
Callaway County Commission
Cole County
Department of Health and Senior Services
Department of Mental Health
Department of Social Services -
 MO HealthNet Division
 Division of Legal Services
University of Missouri
Department of Natural Resources
Department of Agriculture
Office of Prosecution Services
Office of the State Courts Administrator
Department of Corrections
Department of Public Safety
 Missouri Highway Patrol
Department of Revenue
Department of Conservation
State Tax Commission
Independence City Health Department
Columbia/Boone County Department of Public Health and Human Services



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