

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5403-03
Bill No.: HCS for HB 1631
Subject: Minorities; Economic Development; Business and Commerce; Office of Administration
Type: Original
Date: March 9, 2018

Bill Summary: This proposal changes the law regarding minority-owned businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$114,954)	(\$138,047)	(\$139,400)
Total Estimated Net Effect on General Revenue	(\$114,954)	(\$138,047)	(\$139,400)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (OA) - Office of Equal Opportunity (OA-OEO)** assume the following:

Section 37.020.1(5)(c) of this bill would enable a not-for-profit organization to be considered a "socially and economically disadvantaged small business" (DBE) if it is organized under chapter 355, RSMo for charitable purposes, is headquartered in Missouri, is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, has been continuous existence for at least five years, provides services relating to health, mental health, education and training, social services, or corrections, and at least fifty-one percent of the organization's board of directors and/or executive management with control of the organization's daily operations is made up of socially and economically disadvantaged individuals.

Currently, OEO does not have a certification for socially and economically disadvantaged individuals or a disadvantaged business enterprise (DBE) certification. If implemented, it is assumed not-for-profits seeking this certification would be able to request a women or minority designation under the umbrella of the socially and economically disadvantaged individuals' definition in Section 37.020.1(4). Even though not-for-profits could request a minority or women designation, it is assumed the application examining process and certification would be similar but separate from the current M/WBE Certification program.

If the proposed legislation passes, it is assumed that OA-OEO would need to hire two (2) additional staff (Planner II - M/WBE Certification Coordinators/Compliance Officers - each at \$39,708) to meet the requirements of this legislation. With salaries, fringe benefits, and expense and equipment, OA assumes a cost of approximately \$139,000 per year for these additional FTE to assist the Office of Equal Opportunity (OEO). OEO will be required to determine if not-for-profit organizations seeking M/WBE/DBE certification meet the requirements, explained above. OEO will have to examine the makeup of the not-for-profit's board of directors and officers, as well as the purpose of the organization. This will create more background work to be done by the OEO personnel prior to certification, as well as documentation and on-site audits. In addition, this legislation will require development of new rules and regulations by OEO to implement and administer a separate (but similar) certification program to the M/WBE for profit certification.

Section 37.020.4 of this bill will have no impact on the administrative functions of OEO.

Section 37.020.5 of this bill will have no impact on the administrative functions of OEO.

ASSUMPTION (continued)

Section 37.020.6 of this bill will cause additional time and consideration for posting and ensuring the most appropriate and up-to-date criteria in published online. It is assumed that this administrative function would be consumed in one of the additional FTEs requested, per fiscal cost of implementation and administration of the new DBE certification program.

Due to the complexity of what would be required by this legislation, OEO would need additional staffing to determine if not-for-profits meet the requirements to become certified as an M/WBE, as explained above. Currently, according to MERIC, there are over 200,000 business considered minority or women owned. OEO's M/WBE database currently has around 1,400 business certified as minority and women business enterprises. The Attorney General's Office currently has an estimated 31,000 not-for-profits in their database. Based on information obtained from OA's Division of Purchasing, there are approximately 200 or more contracts to Missouri not-for-profit organizations that have an existing current contract(s) with the state. It is unknown exactly how many Missouri not-for-profit organizations would meet the requirements to apply for M/WBE certification under this proposed legislation. This creates the potential for double the amount of work for the OEO.

Oversight assumes OA-OEO will not incur additional leased space expense from the two additional FTE, and has reduced OA's cost estimate accordingly.

Officials from the **Department of Higher Education** and the **Department of Labor and Industrial Relations** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of Administration - Division of Purchasing** assumed the proposal will have no fiscal impact on their organization.

Officials from the **University of Missouri** and **Missouri Western State University** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Missouri State University, University of Central Missouri** and the **State Technical College of Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Economic Development** defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

FISCAL IMPACT - State Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

GENERAL REVENUE FUND

<u>Cost - OA-OEO</u>			
Personal Service	(\$66,180)	(\$80,210)	(\$81,012)
Fringe Benefits	(\$37,635)	(\$45,398)	(\$45,637)
Equipment and Expense	(\$11,139)	(\$12,439)	(\$12,751)
<u>Total Cost - OA-OEO</u>	<u>(\$114,954)</u>	<u>(\$138,047)</u>	<u>(\$139,400)</u>
FTE Change - OA-OEO	2 FTE	2 FTE	2 FTE
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(\$114,954)</u>	 <u>(\$138,047)</u>	 <u>(\$139,400)</u>

Estimated Net FTE Change to the General Revenue Fund	2 FTE	2 FTE	2 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have an impact on small businesses.

FISCAL DESCRIPTION

This bill expands the definition of "minority business enterprise" to include a Missouri nonprofit corporation that has a majority of individuals serving on the board of directors and corporate officers who are members of a minority. The bill further expands the definition of "women's business enterprise" to include a Missouri nonprofit corporation that has a majority of individuals serving on the board of directors and corporate officers who are women.

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

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Office of Administration
Department of Economic Development
Department of Higher Education
Department of Labor and Industrial Relations
Missouri State University
University of Central Missouri
University of Missouri
State Technical College of Missouri
Missouri Western State University

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
March 9, 2018