

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5849-04
Bill No.: SCS for HCS for HB 2140
Subject: Contracts and Contractors
Type: Original
Date: May 15, 2018

Bill Summary: This proposal modifies provisions for public contracts for purchasing supplies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue	Unknown	Unknown	Unknown

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 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
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the majority of current contracts specific to the Department of Labor and Industrial Relations (DOLIR) fall within the \$25,000-\$100,000 range. The department anticipates a sizeable increase in the number of contracts for which it will be responsible and would require 0.50 Procurement Officer I (Range 23, Step G) to handle the increase in workload including tracking contracts, coordinating contract requirements with divisions and ensuring procurement rules are followed, processing orders and purchases, revising contracts and creating amendments, approving payments and invoices, answering questions from staff and vendors, and monitoring Minority Business Enterprise and Women Owned Business Enterprise (MBE/WBE) participation. Standard per FTE expense and equipment would also be required.

Administrative Services for the DOLIR are funded using a cost allocation plan with transfers made to the DOLIR Administrative Fund. DOLIR assumes the costs associated with this fiscal note would be paid from this fund.

Oversight assumes DOLIR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOLIR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOLIR could request funding through the appropriation process.

Oversight also assumes savings to the General Revenue Fund in advertising for bids and/or cost of materials will offset any potential cost the DOLIR may have.

Officials from the **Department of Social Services (DSS)** assume this bill changes the purchasing requirements in Chapter 34, raising the amount at which bids are required to ten thousand dollars, raising the amount at which advertisements are required to one hundred thousand dollars and allowing for reverse auctions. It also prohibits the use of cost-only bids. Many items such as food, supplies, trash hauling, etc., do not include a "quality" component and are currently procured with cost-only considerations. This legislation will add time to the procurement process and require additional resources. Two Procurement Officer II (at \$46,056/annually each) positions are needed to secure all contracts in this manner. They are funded using 100% general revenue.

The Department of Social Services is deferring to OA Purchasing for changes to chapter 34, purchasing law.

ASSUMPTION (continued)

Oversight assumes DSS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DSS and DOLIR could absorb the costs related to this proposal within existing appropriation levels. Oversight assumes there are no additional duties specified in this bill, and if DSS and DOLIR require additional resources, the Office of Administration (OA) - Division of Purchasing and Materials Management should encounter an offsetting savings for the departments performing the bidding process instead of OA.

Oversight also assumes savings to the General Revenue Fund in advertising for bids and/or cost of materials will offset any potential cost the DSS may have.

Officials from the **Missouri Lottery Commission** assume section 37.007 of this proposal authorizes the commissioner of administration to allow state agencies to pay fees associated with utilizing debit, credit and other electronic payment methods if payment of the fees would result in a positive fiscal impact to the state. This bill would allow the Lottery to pay fees associated with accepting debit, credit and other electronic payment methods for the purchase of Lottery tickets in its regional offices and at events such as the State Fair.

The Lottery believes Lottery ticket sales in its regional offices and at events will increase if we are allowed to pay transaction fees associated with debit and credit card purchases. The Lottery believes this unknown positive impact on Lottery sales may positively impact proceeds for education in future years.

Oversight will reflect a \$0 - Unknown revenue to the Lottery Proceeds Fund (0291) to reflect the possible increase in sales due to the Lottery being allowed to pay fees associated with accepting debit, credit and other electronic payment methods.

Officials from the **Office of Administration - Facilities Management Design and Construction** and the **Division of Purchasing** assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Office of the State Auditor** assumed any potential cost arising from this proposal can be absorbed with existing resources.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal will have no impact to TSR or 18 (e). B&P defers to the Office of Administration to estimate the fiscal impact of the proposed legislation.

In response to a previous version, officials from the **Missouri Department of Conservation (MDC)** estimated the proposed legislation could potentially have an unknown fiscal impact on the MDC fund due to uncertainty of the bidding process.

Oversight assumes the MDC's response is speculative and will not show a fiscal impact. If a fiscal impact were to result, the MDC may request funding through the appropriation process.

Officials from the **Department of Health and Senior Services, Department of Mental Health, Department of Natural Resources, Department of Revenue, Department of Corrections, Missouri Ethics Commission, Office of Administration, Department of Transportation, Department of Elementary and Secondary Education, Department of Public Safety - Capitol Police, Office of the Director, Division of Alcohol and Tobacco Control, Missouri Gaming Commission, Missouri Veterans Commission, Division of Fire Safety, State Emergency Management Agency, Missouri Highway Patrol, Missouri Senate, Missouri Consolidated Health Care Plan, Office of the State Courts Administrator, Office of the State Treasurer, Office of Prosecution Services,**

ASSUMPTION (continued)

State Tax Commission, Missouri State Employee's Retirement System, Administrative Hearing Commission, MoDOT & Patrol Employees' Retirement System and Department of Agriculture each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Higher Education, Missouri House of Representatives** and the **Office of the State Public Defender** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

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.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** defer to the Office of Administration for sections 34.040 -34.047 and 34.353 to estimate the fiscal impact of the proposed legislation on their respective organization.

Oversight assumes by raising the competitive bidding amount requirements and authorizing the Commissioner of Administration to hold a reverse auction for materials, there could be a savings to the General Revenue Fund in advertising for bids and/or cost of materials. However, Oversight is unclear on the amount of savings. Therefore, Oversight will reflect a positive unknown to the General Revenue Fund this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Savings</u> - OA - Raising the competitive bidding amount and reverse auctions	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
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LOTTERY PROCEEDS FUND

<u>Revenue - Lottery</u>			
Possible increase in ticket sales	<u>\$0 - Unknown</u>	<u>\$0 - Unknown</u>	<u>\$0 - Unknown</u>
ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND	<u>\$0 - Unknown</u>	<u>\$0 - Unknown</u>	<u>\$0 - Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill allows state offices, departments, boards, commissions, bureaus, political subdivisions, agencies, and other institutions to purchase supplies under a cooperative purchasing agreement from certain authorized General Services Administration vendors without regard to competitive bid limits under Section 34.040, RSMo. The Office of Administration maintains oversight and can use cooperative purchasing agreements whenever they are advantageous to the state.

This bill also changes the exception limit to the competitive bidding rules under Section 34.040, RSMo, from purchases equal to or less than \$3000 to a new \$10,000 limit. It also increases the expenditure limit for purchases that require special notice, advertising, and solicitation requirements by the Commissioner of Administration from projects estimated at \$25,000 or more to those projects estimated at \$100,000 or more.

This bill also authorizes the Commissioner of Administration to allow state agencies to pay fees associated with utilizing debit, credit and other electronic payment methods if payment of the fees would result in a positive fiscal impact to the state.

FISCAL DESCRIPTION (continued)

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

Attorney General's Office
Department of Agriculture
Department of Economic Development
 Public Service Commission
 Office of the Public Council
 Division of Energy
Department of Elementary and Secondary Education
Department of Higher Education
Department of Health and Senior Services
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
 Office of the Director
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
 Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives

SOURCES OF INFORMATION (continued)

Office of the Lieutenant Governor
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Budget and Planning
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
State Tax Commission

Ross Strope



Acting Director
May 15, 2018