

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5332-01
Bill No.: SB 1204
Subject: Office of Administration; Contracts and Contractors; Governor and Lt. Governor;
 Tax Credits
Type: Original
Date: March 5, 2008

Bill Summary: This proposal requires the governor to disclose information regarding tax credits and state contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$252,074 to Unknown)	(\$135,574 to Unknown)	(\$105,308 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$252,074 to Unknown)	(\$135,574 to Unknown)	(\$105,308 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Other State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	Unknown	Unknown	Unknown
Other State Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on FTE	Unknown	Unknown	Unknown

- 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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development (DED)** state the bill should have no administrative or fiscal impact on DED. It requires additional contracting information to be provided as part of the Governor's budget submission. It is unclear if the information would be inserted in individual departmental budgets or prepared by OA and submitted as part of the overall budget. DED should incur minimal-to-no cost either way.

Officials from the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** state this bill would require extensive analysis and reporting annually for current and proposed contracts for services as part of the budget process. It also includes lease 489 contracts (tax credits are used at some leased facilities). This would require five additional FTE - Contract Specialist II's to compile and keep this information up-to-date for OA-Division of Facilities Management, Design and Construction.

The Contract Specialist II's position is administrative support to comply with this bill on all service contracts in all facilities/institutions/leases for housekeeping, maintenance, snow removal, lawn care, elevators, AE services, construction services, etc. which number in the hundreds each year. OA-FMDC assume the cost for the additional 5 FTE to total roughly \$400,000 annually, and be paid not from General Revenue, but from fund 501 - State Facilities Maintenance and Operations fund.

In response to a similar proposal from last year (SB 460), the Office of Administration assumed the Division of Purchasing, Materials Management (DPMM) would require an additional FTE Buyer IV position. The new Buyer would gather, sort and compile the information into a comprehensive analyses of the service contracts procured by DPMM. Also in the response to SB 460 in 2007, the OA-FMDC stated they would need two additional FTE (Budget Analysts II) to conduct similar analysis gather, sort and compile the information into a comprehensive analyses of construction contracts.

In response to a similar proposal from 2007 (HB 975), officials from the **Department of Social Services** state the legislation would require specific contract information be included in the Department's annual budget submission. Even though more information would be compiled,

ASSUMPTION (continued)

reviewed and printed, the additional tasks could be absorbed through existing resources and would not generate a fiscal impact to the Division of Budget and Finance. As a result, a zero fiscal note is being submitted.

In response to a similar proposal from 2007 (HB 975), officials from the **Department of Mental Health** state they have approximately 3,000 contracts with mental health providers to provide client services. The department assumes that the 'current and proposed contracts for services' referred to in Section 26.057, includes our client service contracts. While historical information on each contract is available, the annual amount proposed to be paid to the contractor is on an as-needed/if-needed basis and the department would only be able to provide the projected allocation to the provider. Providing the required information for 3,000 contracts will be labor intensive; however, the department assumes this workload will be absorbed by existing staff.

In response to a similar proposal from 2007 (HB 975), officials from the **Department of Health and Senior Services (DOHSS)** state their department issues hundreds of contracts each year. The types of information and level of detail required by this legislation are extensive. DOHSS currently does not have a method of compiling the required information into a format that would be needed to prepare the contract information report. DOHSS assumes that software would have to be purchased or developed to capture the required information to prepare the report. The cost of the software that would be needed to compile this information and prepare the report is not known until the requirements are defined and bids are received on the software. It is assumed the cost of the software purchase or developed would exceed \$100,000. Annual software maintenance would be required. Industry standards for software maintenance are 10% to 20% of the software purchase/development cost.

Since all state departments would be required to compile the same information to prepare the required report, it is possible that the Office of Administration - ITSD could develop the software needed to compile the contract information required in the bill. If that were the case, then the software could be shared with each state agency. This would reduce the cost to the department and ensure consistency in reporting. The department cannot determine these costs. For the purposes of this fiscal note, the department is showing a first year cost of "Unknown to > \$100,000 and year two and three costs of "Unknown to \$20,000".

In response to a similar proposal from 2007 (HB 975), officials from the **Department of Conservation** state the proposal would have a negative fiscal impact on their funds, since staff would need to prepare a budget for each contract they anticipate needing in order to submit the necessary information to the Governor. The exact amount of impact is unknown.

ASSUMPTION (continued)

In response to a similar proposal from 2007 (HB 975), officials from the **Office of the State Courts Administrator (CTS)** stated they and local courts enter into hundreds of contracts for various services each year. Some of the required contract information would be difficult to provide. For example, subcontractor information is not always readily available and cross agency collaborations can at times make it difficult to project funding sources for services. In addition, it can be difficult to project future outlays for contractual services. Currently, staff provides contract information as requested.

The proposed legislation would significantly increase the workload of our staff; however, at this time, we have no way of estimating that increase. Any significant increase would be reflected in future budget requests.

In response to a similar proposal from 2007 (HB 975), officials from the **Department of Elementary and Secondary Education (DESE)** assumed the proposal will result in additional time and printing costs to produce the annual budget; however, we do not expect the additional costs to exceed \$100,000 for their agency.

In response to a similar proposal from last year (HB 975), officials from the **Office of Administration - Information Technology Services Division (OA-ITSD)** stated the bill is similar to an existing request by the Governor's office to develop a web site initiative to enable citizens to search by a vendor name and view payment data (a summarized total for that vendor name as currently listed in SAM II). The website would be updated quarterly. The Governor's initiative requires less cost, time and effort to implement because it uses existing information that is currently captured in SAM II.

Each agency contracting for services will be affected. The information identified in the subsection 26.057.1 is not currently collected and stored electronically in a common location. It is anticipated that each contracting agency will need to modify their current business processes and adjust their staffing levels in order to capture and maintain the information necessary to comply with subsection 26.057.2. Additionally each agency may need to modify legacy computer applications to capture and maintain the requested information.

ITSD supports 14 consolidated agencies and is responsible for supporting the State of Missouri's Enterprise Resource Planning (ERP) system known as the Statewide Advantage for Missouri (SAM II). The information identified in the subsection 26.057.1 is not currently collected and stored electronically in a common database. It is anticipated that ITSD may need to support each agency contracting for services by modifying legacy computer applications, development of a

ASSUMPTION (continued)

website, and modify the SAM II system to support the capture and maintenance of the requested information.

To ensure that all additional requirements of this legislation are met, ITSD would require at least 6 months time, one new CITS I FTE and .5 new CIT III FTE to maintain and support the system, and \$200,000 in consulting services to modify SAM II and to implement the website.

In order to provide a timely response, the information contained in this document is preliminary. Further research is needed to determine additional costs and levels of effort each consolidated area of ITSD (i.e. ITSD-DED, ITSD-DOC, etc.) would require to comply with this legislation. The research would include the level of effort required to modify agency legacy systems and to capture and maintain the requested information.

Fiscal impact was determined for the development and maintenance of the 'contract services' website. Each agencies' continuing costs to enter historical and current contract information into the system is unknown at this time.

Oversight will reflect the costs as estimated by the ITSD. With the varying responses to the proposal from state agencies, Oversight will reflect an 'unknown' costs to General Revenue as well as other state funds for agencies to comply with the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs</u> - Office of Administration - Information Technology & Services Division (ITSD)			
Personal Service (1.5 FTE)	(\$56,774)	(\$70,172)	(\$72,277)
Fringe Benefits	(\$25,696)	(\$31,760)	(\$32,713)
Expense and Equipment	(\$2,937)	(\$309)	(\$318)
IT Consulting	<u>(\$166,667)</u>	<u>(\$33,333)</u>	<u>\$0</u>
<u>Total Costs</u> - ITSD	(\$252,074)	(\$135,574)	(\$105,308)
FTE Change - ITSD	1.5 FTE	1.5 FTE	1.5 FTE
 <u>Costs</u> - various state agencies - to comply with disclosure of information regarding state contracts			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$252,074 to Unknown)</u>	<u>(\$135,574 to Unknown)</u>	<u>(\$105,308 to Unknown)</u>
 OTHER STATE FUNDS			
<u>Costs</u> - various state agencies - to comply with disclosure of information regarding state contracts			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<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.

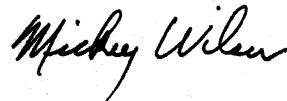
FISCAL DESCRIPTION

The Office of Administration shall administer the Missouri Accountability Portal website to provide the public with information relating to state contracts and tax credit issuance. The Governor shall submit ordered and detailed information regarding state contracts as part of the state budget.

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 the Governor
Office of Administration
Department of Economic Development
Department of Revenue
Department of Social Services
Department of Mental Health
Department of Health and Senior Services
Department of Conservation
Office of the State Courts Administrator
Department of Elementary and Secondary Education



Mickey Wilson, CPA
Director
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