

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4135-05  
Bill No.: HCS for SB 844  
Subject: Administration, Office of; Contracts and Contractors; Public Officer  
Type: Original  
Date: April 27, 2010

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Bill Summary: Allows statewide officials to request the office of administration to determine the lowest and best bidders for their purchasing, printing and service contracts and to change other bidding procedures.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
All State Funds	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>(Unknown over \$100,000)</b>	<b>(Unknown over \$100,000)</b>	<b>(Unknown over \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 34.047

Officials at the **Office of Administration** assume this could negatively impact the competitive bid process if the non-Missouri vendors know that Missouri vendors receive priority in the bid process. The State may not receive the best bid if a priority must be given to Missouri bidder no matter whether the out of state bidders provide the lowest and best bid. Also, Missouri vendors may be penalized when they bid on other States' competitive bid processes that have a reciprocity bid preference procedure. The impact is unknown.

Officials at the **Missouri Department of Conservation** assume a negative impact in excess of \$100,000 annually.

Officials at the **Missouri Western State University** assume if our understanding of the bill is correct, this could create a potentially large financial impact on the University. The bill appears to say that the State of Missouri would require that the university award all bids to the lowest Missouri firm regardless if an out-of-state firm had a substantially lower bid. It also appears to say, that if the Missouri company is a minority business or a disabled veteran business they would win the bid even if the lowest bidder was a non minority or disabled veteran Missouri company. Selecting the lowest overall bid is not a choice that we can make any longer.

This bill would have an immense financial impact on the University. We have had bids on different projects that if we awarded the bid to the Missouri bidder, we would have paid more for the work. An example of a scenario that could play out: three bids come in: the out-of state bidder is lowest, a Missouri company is second lowest and a Missouri minority or disabled veteran business is the highest bidder. The university would be required to award the bid to the highest bidder.

This could also give Missouri firms an opportunity to raise their bids knowing they will not have to compete with out-of-state bidders.

Officials at the **University of Missouri** assume that due to current policy and procedures for bid advertisement, opening and award, the proposed legislation will potentially cost the University up to \$200,000 per year.

Officials at the **Linn State Technical College** assume an unknown impact.

ASSUMPTION (continued)

Officials at the **University of Central Missouri** and the **St. Louis County** assume that there is no fiscal impact from this proposal.

**Oversight** assumes an unknown impact to all state funds.

Section 37.900

Officials at the **Office of Administration** assume no increased administrative costs as a result of this proposal.

Officials at the **Office of the State Auditor, Office of the State Treasurer** and the **Office of the Secretary of State** assume that there is no fiscal impact from this proposal.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Section 67.314

Officials at the **Office of Administration, Cass County, Metropolitan Community College, St. Louis County, Lincoln University, Linn State Technical College, Missouri Western State University, Missouri Southern State University, Northwest Missouri State University, St. Louis Community College, University of Central Missouri, Missouri Department of Conservation** and the **Missouri State University** assume that there is no fiscal impact from this proposal.

**Oversight** assumes no cost to the State or Universities as a result of this proposal.

Officials at the **City of Kansas City** assume this legislation may have a negative fiscal impact on the City in an indeterminate amount because this legislation would result in higher administrative costs and unknown financial consequences of delaying the opening of bids and subsequent commencement of a project.

Officials at the **Francis Howell School District** assume the proposed legislation imposes no dollar limit on projects that require competitive bidding. For Francis Howell, the estimate that the proposed legislation would add (conservatively) \$15,000 in costs for advertising in the newspaper, since many of our projects fall under the current \$15,000 requirement for public notice in a newspaper and competitive bids. Further, there is a cost associated with the additional time spent in public bid openings for the numerous small projects we do throughout the year. The School estimates that (conservatively) the district would expend \$25,000 in staff time

ASSUMPTION (continued)

(secretarial, accounting, management) based on the additional work imposed by the proposed legislation.

Officials at the **City of Centralia** assume the way this is worded, would seem to require advertising 5 times each. Assuming we have the time (ours is a weekly paper and advertising in the Columbia paper would be much more expensive), this would cost about \$975 per contract = 5 ads @ \$195 ea. Would apply to about 7 projects per year which are not otherwise bid (for instance, piggybacked on other entities' contracts) or only advertised one time. This adds up to an estimated \$6,045 per year of added expense. Assumes no extra contract savings from extra bidding and does not attempt to estimate extra time spent preparing bid specs for two or three such contracts each year.

Officials at the **Parkway School District** assume that there is no fiscal impact from this proposal.

No other City, County or School responded to **Oversight's** request for fiscal impact. **Oversight** assumes that due to the number of local political subdivisions affected by this proposal that the impact to the locals would be Unknown but over \$100,000 per year.

Section 1

Officials at the **Missouri Southern State University** assume certain provisions of this legislation give priority to bidders residing in the State of Missouri. While this may benefit the state as a whole, it is probable that the net cost of operation for the University would increase if competitive bidding is constrained. It is not possible at this time to quantify the fiscal impact of the this legislation.

Officials at the **Missouri State University** assume costs would likely increase by providing a preference to Missouri vendors.

Officials at the **Linn State Technical College** assume the impact is unknown.

Officials at the **University of Central Missouri** and the **St. Louis County** assume that there is no fiscal impact from this proposal.

**Oversight** assumes this proposal would not result in a savings or cost to the state or local political subdivision.

ASSUMPTION (continued)

**Bill as a Whole**

Officials at the **Office of the Governor, Office of the Lt. Governor and Missouri Department of Transportation** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>ALL STATE FUNDS</b>			
<u>Cost - state agencies (34.047)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ALL STATE FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>LOCAL SUBDIVISION FUNDS</b>			
<u>Cost - Local for bid procedures (67.314)</u>	<u>(Unknown over \$100,000)</u>	<u>(Unknown over \$100,000)</u>	<u>(Unknown over \$100,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL SUBDIVISION FUNDS</b>	<b><u>(Unknown over \$100,000)</u></b>	<b><u>(Unknown over \$100,000)</u></b>	<b><u>(Unknown over \$100,000)</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes the Political Subdivision Construction Bidding Standards Act which creates standards for advertising, soliciting, accepting, and rejecting competitive bids and awarding construction contracts of \$10,000 or more for political subdivisions that are not covered by a specific federal, state, or local law that is equivalent or stricter in its requirements.

Regardless of any state or local law or state or federal funding requirement to the contrary, no contract for construction will be awarded in violation of the following requirements:

JH:LR:OD

FISCAL DESCRIPTION (continued)

- (1) No bid can be opened before the advertised deadline;
- (2) No bid can be accepted unless it is sealed and in writing;
- (3) No bid can be accepted after the advertised deadline; or
- (4) All bids must be held securely and confidentially until the bids are opened in a public meeting on the date and at the time and place advertised.

A political subdivision will not be prohibited from awarding a contract without competitive bidding when deemed necessary to remove an immediate danger to public health or safety, to prevent the loss of property, or to prevent an interruption of or to restore an essential public service.

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

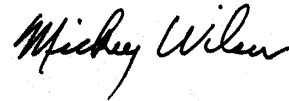
Cass County  
City of Centralia  
City of Kansas City  
Francis Howell School District  
Lincoln University  
Linn State Technical College  
Metropolitan Community College  
Missouri Department of Conservation  
Missouri Department of Transportation  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
Office of Administration  
Office of the Attorney General  
Office of the Governor  
Office of the Lt. Governor  
Office of the State Auditor  
Office of the Secretary of State  
Office of the State Treasurer  
Parkway School District  
St. Louis County

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SOURCES OF INFORMATION (continued)

St. Louis Community College  
University of Central Missouri  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA  
Director  
April 27, 2010