

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1108-02
Bill No.: SB 291
Subject: Administration, Office of; Business and Commerce; Contracts and Contractors;
 Disabilities
Type: Original
Date: March 5, 2013

Bill Summary: This proposal requires the Office of Administration to set a goal of awarding at least 3% of contracts to businesses with disabled employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown)	(Unknown greater than \$164,398)	(Unknown greater than \$161,165)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown greater than \$164,398)	(Unknown greater than \$161,165)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	0 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0 FTE	2 FTE	2 FTE

- 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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Division of Purchasing and Materials Management (DPMM)** assume that a minimum of three Buyer IV positions are needed to oversee the fulfillment of the tasks stated in this proposal. The Buyer IV positions (\$52,176) will:

Review proposals submitted by qualifying vendors and award/renew contracts for the purchase of goods, services, and supplies.

Review fair market price for the same goods, services, and supplies submitted by qualifying vendors.

Ensure the contractor is paying their employees at least minimum wage for direct labor hours performed in fulfillment of the contract.

Monitor the amount of goods, services, and supplies that are purchased to make sure the amount does not exceed twenty-five million dollars.

To assist with the promulgation of rules and regulations necessary to carry out the purposes of this proposal.

To research before awarding contracts to a qualifying vendor instead of the current contracting business if a severe adverse impact on such business could take place. This will include reviewing financial and employment information and contractor performance reports.

In response to a similar proposal from 2012 (HB 1902), DPMM assumed the need for one additional FTE. This proposal appears to be more involved than HB 1902, therefore, **Oversight** will assume DPMM will not require 3 additional FTE, but rather will assume they could accomplish the additional duties set forth with 2 additional FTE. Should the amount of work justify another FTE, the FTE could be sought through the appropriation process.

Officials at the **Office of the State Auditor** assume the auditor's office is not comprised of investigators and therefore investigations by the auditor's office would be outside their general expertise. Additionally, it is unclear how many of these violations would occur in each year. Therefore, it is difficult to estimate the costs of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Cost - Office of Administration</u>			
Personnel Service	\$0	(\$105,396)	(\$106,449)
Fringe Benefits	\$0	(\$53,483)	(\$54,018)
Equipment and Expenses	<u>\$0</u>	<u>(\$5,519)</u>	<u>(\$698)</u>
<u>Total Cost - OA</u>	\$0	(\$164,398)	(\$161,165)
FTE Change - OA	0 FTE	2 FTE	2 FTE
 <u>Cost - Office of the State Auditor - cost of doing the investigations</u>			
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
		(Unknown greater than \$164,398)	(Unknown greater than \$161,165)
ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>(Unknown)</u>		
Estimated Net FTE Change on General Revenue	0 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that employ persons with qualifying disabilities could be positively impacted by this proposal. Small businesses that make products that will no longer be competitively bid could be negatively impacted.

FISCAL DESCRIPTION

This proposal requires the Office of Administration to set a goal of awarding at least 3% of contracts for goods, services, and supplies to qualifying vendors. Qualifying vendors are defined as a person with certain disabilities, a business or entity that employs such individuals provided such persons perform at least 70% of the direct labor hours required to fill the contract or a nonprofit agency that meets the eligibility criteria to participate in the federal AbilityOne program.

FISCAL DESCRIPTION (continued)

Bids shall only be awarded if the qualifying vendor's proposal does not exceed the fair market price for the same products or services in the opinion of the Office of Administration and individuals with qualifying disabilities shall be paid at least minimum wage for direct labor hours performed under the contract.


Before awarding a contract, the Office of Administration shall consider the interests of businesses currently under contract and determine if failing to renew the contract would have a severe adverse impact on the current contracting business. An impact of 15% or greater of the total revenue of such business shall be deemed severe.

Suspected violations of the eligibility criteria for a qualifying vendor shall be investigated by the State Auditor.

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 Purchasing and Materials Management
Office of the State Auditor



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