

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0724-03
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 137
Subject: Department of Revenue
Type: Original
Date: June 8, 2015

Bill Summary: This proposal modifies provisions relating to competitive bidding.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|-------------------|--------------------|--------------------|--------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| General Revenue | (\$57,802) | (\$102,246) | (\$538,986) | (\$1,379,101) |
| Total Estimated Net Effect on General Revenue | (\$57,802) | (\$102,246) | (\$538,986) | (\$1,379,101) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|--|------------|------------|------------|--------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on Other State Funds | \$0 | \$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 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|----------|----------|----------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on FTE | 0 | 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 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Local Government | \$0 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Section 34.040.4

Officials from the **Department of Revenue (DOR)** state during fiscal year 2014, the Department collected \$1,217,938 in General Revenue funds due to license office contractors committing to return a percentage of their processing fees to the state. These contractors were awarded points during the request for proposal (RFP) evaluation process based on the percentage of return they pledged.

DOR officials assume this legislation eliminates awarding points to bidders for offering a return to state, which may result in a decrease in General Revenue funds for each office that is awarded a new contract on or after August 28, 2015 that may have otherwise proposed to return a percentage of their processing fees to the state. The average return to state percentage for offices currently awarded and those soon to be awarded is 4.85%.

Applying this average to the processing fees collected by those offices that will be up for rebid that currently offer a return to state may result in the following decrease in revenue (based on their FY '14 processing fees collected).

DOR officials assume in FY '16 there will be 6 offices rebid, all of which currently have a return to state. The decrease for the full fiscal year will be a loss of \$57,802 (average return to state for the 6 offices) to the General Revenue Fund.

DOR officials assume in FY '17 there will be 6 offices rebid, 5 of which currently have a return to state of \$44,444. The revenue decrease for the full fiscal year will be a loss of \$102,246 (\$57,802 + \$44,444).

DOR officials assume in FY '18 there will be 68 offices rebid, 33 of which currently have a return to state of \$436,740. The revenue decrease for the full fiscal year will be a loss of \$538,986 (\$102,246 + \$436,740).

DOR officials assume in FY '19 there will be 55 offices rebid, 26 of which currently have a return to state of \$269,297. The revenue decrease for the full fiscal year will be a loss of \$808,283 (\$538,986 + \$269,297).

ASSUMPTION (continued)

DOR officials assume in FY `20 there will be 44 offices rebid, 39 of which currently have a return to state of \$570,818. The revenue decrease for the full fiscal year will be a loss of \$1,379,101 (\$808,283 + \$269,297). This loss represents an ongoing annual loss to the General Revenue Fund.

Section 136.055.2

DOR officials assume the changes in this section will require the Department of Revenue to give priority in the competitive bidding process to 501(c)(4) organizations, except those civic organizations that would be considered action organizations under 26 C.F.R. Section 1.501(c)(3)-1(c)(3), of the Internal Revenue Code of 1986 as amended, when awarding license offices and to also give "special consideration" to those organizations and entities that reinvest a minimum of 75% of the net proceeds to charitable organization in Missouri.

Administrative Impact

There are not statistics available to determine exactly how many additional responses the DOR will receive as a result of this legislation. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE (s) will be requested through the appropriation process.

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 **Office of Administration - Purchasing and Materials Management Division** and the **Department of Natural Resources** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Office of the Secretary of State (SOS)** assumed 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.

ASSUMPTION (continued)

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.

Currently there are 178 contract license offices. **Oversight** assumes the decrease in revenue will be on-going until all license offices are issued new contracts, therefore eliminating the return to state revenue. Since contracts are typically renewed roughly every 3 to 5 years, Oversight will reflect a compounding decrease in revenue for FY '16, FY '17 and FY '18.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
|---|--------------------------|---------------------------|---------------------------|--------------------------------|
| GENERAL REVENUE | | | | |
| Loss - DOR Return-to-State - process assumed to be discontinued | <u>(\$57,802)</u> | <u>(\$102,246)</u> | <u>(\$538,986)</u> | <u>(\$1,379,101)</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>(\$57,802)</u> | <u>(\$102,246)</u> | <u>(\$538,986)</u> | <u>(\$1,379,101)</u> |
| | | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small business licensing offices would be expected to be impacted as a result of this proposal.

FISCAL DESCRIPTION

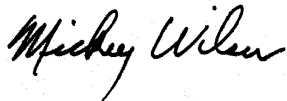
This bill prohibits the Commissioner of the Office of Administration from awarding points to a bidder for a contract license office that proposes a return-to-the-state provision offer. The bill also requires the Director of the Department of Revenue to follow the bidding procedures provided by law and establish the rules necessary to implement those procedures.

This proposal contains an emergency clause.

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
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Natural Resources



Mickey Wilson, CPA
Director
June 8, 2015

Ross Strobe
Assistant Director
June 8, 2015