

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5440-01
Bill No.: SB 802
Subject: Office of Administration; Corporations; Minorities
Type: Original
Date: January 26, 2018

Bill Summary: This proposal modifies provisions relating to women’s and minority business enterprises.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue Fund | (\$114,954) | (\$138,047) | (\$139,400) |
| Total Estimated Net Effect on General Revenue | (\$114,954) | (\$138,047) | (\$139,400) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| 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 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 |
| General Revenue Fund | 2 FTE | 2 FTE | 2 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 2 FTE | 2 FTE | 2 FTE |

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 **Office of Administration (OA) - Office of Equal Opportunity (OA-OEO)** assume Section 37.020.1(3)(d) of this legislative proposal would allow any firm/entity based in Missouri to be considered a "minority business enterprise" if the organization meets the requirements outlined in Section 37.020.1(3)(d). The OEO would be responsible for determining and monitoring the demographic makeup of each firm seeking certification. This would result in OEO needing to examine workforce demographics for each applicant, both via documentation and on-site audit. This will create more background work to be conducted by OEO personnel prior to certification, as well as the development of new rules and regulations.

Due to the complexity of what would be required by this legislation, OA-OEO would need additional staffing to determine if firms meet the standard of at least one quarter of minority employees to become certified as a "minority business enterprise". Currently, according to the Missouri Economic Research and Information Center (MERIC) there are over 200,000 business considered minority or women owned. OEO's Minority Business Enterprise Program (M/WBE) database has almost 1,400 businesses certified as minority and women business enterprises. In order to meet the requirements of the proposed legislation, the OA-OEO certification program would need to create the opportunity for over 500,000 small business in Missouri to meet eligibility requirements. This creates the potential for double the amount of work for the OA-OEO.

It is assumed that OA-OEO would need to hire two (2) additional staff (Planner II - M/WBE Certification Coordinators/Compliance Officers - each at \$39,708) to meet the requirements of this legislation. With salaries, fringe benefits, and expense and equipment, OA assumes a cost of approximately \$139,000 per year for these additional FTE.

Oversight assumes OA-OEO will not incur additional leased space expense for the two additional FTE, and has reduced OA's cost estimate accordingly.

Officials from the **Office of Administration - Division of Purchasing**, the **Department of Higher Education** and the **Department of Labor and Industrial Relations** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Missouri State University**, **University of Central Missouri**, **University of Missouri**, **Missouri Western State University** and **State Technical College of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials from the **Department of Economic Development** defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their organization.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---------------------------|---------------------------|---------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost - OA-OEO</u> | | | |
| Personal Service | (\$66,180) | (\$80,210) | (\$81,012) |
| Fringe Benefits | (\$37,635) | (\$45,398) | (\$45,637) |
| Equipment and Expense | <u>(\$11,139)</u> | <u>(\$12,439)</u> | <u>(\$12,751)</u> |
| <u>Total Cost - OA-OEO</u> | <u>(\$114,954)</u> | <u>(\$138,047)</u> | <u>(\$139,400)</u> |
| FTE Change - OA-OEO | 2 FTE | 2 FTE | 2 FTE |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>(\$114,954)</u> | <u>(\$138,047)</u> | <u>(\$139,400)</u> |
| Estimated Net FTE Change to the General Revenue Fund | 2 FTE | 2 FTE | 2 FTE |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposal could have an impact on small businesses.

FISCAL DESCRIPTION

This proposal modifies the definition of "minority business enterprise" in Section 37.020, RSMo, to include a partnership, joint venture, corporation, or other entity with employees of which at least one quarter are minorities.

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

Office of Administration
Department of Economic Development
Department of Higher Education
Department of Labor and Industrial Relations
Missouri State University
University of Central Missouri
University of Missouri
Missouri Western State University
State Technical College of Missouri

Ross Strope



Acting Director
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