

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6514-02
Bill No.: SB 1019
Subject: Office of Administration; Boards, Commissions, Committees and Councils;
 Contracts and Contractors; Roads and Highways; Transportation; Department of
 Transportation
Type: Original
Date: April 10, 2018

Bill Summary: This proposal requires the Highways and Transportation Commission to consider the complete life-cycle costs of work in determining the lowest bid amount submitted for a contract.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	(Could exceed \$126,852)	(Could exceed \$126,852)	(Could exceed \$126,852)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$126,852)	(Could exceed \$126,852)	(Could exceed \$126,852)

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
Total Estimated Net Effect on FTE	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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation (MoDOT)** assume this proposal would require contractors to develop life-cycle cost assessments (LCCA) for their bid proposals. MoDOT already uses LCCA for determining alternate pavement selection for new construction, but limits the criteria to initial construction and rehabilitation costs over a design life period. This proposal would expand LCCA criteria for an indeterminate number of projects to include uncertain costs for energy consumption, resale (salvage) value, and ultimate and safe disposition.

MoDOT will require additional staff time to assess and verify the validity of LCCAs. The proposal does not clarify the extent to which projects, work types, or individual project elements would be affected. The potential fiscal impacts, dependent upon the interpretation of the proposal, are described below (amounts based on FY 2017). There will be additional impacts which are difficult to quantify, as revisions to our processes (bid document development systems and bid submission systems) will have to occur to ensure that ability for contractors to bid with life-cycle costs.

	Hours /Project	Number of Projects	Total Hours	Average Cost (assume \$31/hour)
Project set-up	2	372	744	\$ 23,064
Estimate - Pre-bid	6	372	2,232	\$ 69,192
Analyze Bids	2	372	744	\$ 23,064
Award Recommendations	1	372	372	\$ 11,532
Total				\$ 126,852

Note: Assumed that all but 10% of projects would be impacted. Time and costs impacts could be significantly larger dependent upon the interpretation of the bill.

Oversight assumes MoDOT could absorb some of the additional work/costs within their current appropriation levels.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this proposal will not impact total state revenues or the calculation under Article X, Section 18(e). BAP defers to MoDOT for any specific estimates on state funds.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
STATE ROAD FUND			
<u>Cost - MoDOT - staff time to assess and verify the validity of LCCA's</u>	(Could exceed <u>\$126,852</u>)	(Could exceed <u>\$126,852</u>)	(Could exceed <u>\$126,852</u>)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	(Could exceed <u>\$126,852</u>)	(Could exceed <u>\$126,852</u>)	(Could exceed <u>\$126,852</u>)
<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

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

FISCAL DESCRIPTION

This act requires the Highways and Transportation Commission to consider the complete life-cycle costs of work in determining the lowest bid amount submitted. It shall be incumbent on bidders to demonstrate the life-cycle costs of the goods or work for which the bid was submitted.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Transportation
Office of Administration - Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

April 10, 2018