

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2314-07
Bill No.: SS for HCS for HB 1088 with SA 1 and SA 2
Subject: Office of Administration
Type: Original
Date: May 16, 2019

Bill Summary: This proposal modifies provisions relating to the Office of Administration and the Office of the Secretary of State.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	More than \$10,812 to Less than (\$81,124)	More than \$32,609 to Less than (\$98,022)	More than \$32,690 to Less than (\$98,022)
Total Estimated Net Effect on General Revenue	More than \$10,812 to Less than (\$81,124)	More than \$32,609 to Less than (\$98,022)	More than \$32,690 to Less than (\$98,022)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Lottery Proceeds Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Colleges and Universities	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints of less than 3 hours, **Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Section 33.150

Oversight assumes this section of the proposal allows an exact digital copy of the original of all accounts, vouchers and documents approved or to be approved by the Commissioner shall be preserved and copies shall be given without charge to any person, county, city, town, township and school or special road district, for the purpose of being used as evidence in the trial of the cause.

Oversight assumes storing and distributing digital copies instead of originals could save the Office of Administration space and postage. Oversight will reflect a potential unknown savings from this provision.

Section 37.960.3

In response to a previous version, officials from the **Office of Administration - Information Technology Services Division (ITSD)** stated that ITSD currently has a system in place (Planview) that tracks projects, including the planned and actual start dates, planned and actual close dates, and costs, both planned and actual. It would be minimal effort to pull information on any projects that are more than a year behind schedule or more than one million dollars over the original cost estimate for the project(s) to report to OA Accounting. Therefore, ITSD would report no fiscal impact for project reporting purposes.

Oversight notes that ITSD has stated the proposal would not have a direct fiscal impact on their organization in regards to project reporting purposes. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note to ITSD for project tracking.

ASSUMPTION (continued)

In response to a previous version, officials from the **Office of Administration - Information Technology Services Division (ITSD)** also assumed this legislation would require 10 GB of storage a year but do not have a good estimate of how many project reports there will be. This could be more or less each year. The 10 GB of storage and backups will continue to accrue yearly until a retention period is met, at which time storage should become somewhat static. Other assumptions are only OA staff will have access to upload documents and there will be minimal security on the upload site and ability to upload documents. Also, ITSD assumes that all uploaded documents will be available for public access with no security applied. In summary, ITSD assumes as cost for IT consultants in FY 2020 of \$16,362 (218 hours x \$75 per hour) plus storage and backup expenses of \$42 in FY 2020, \$51 in FY 2021 and \$52 in FY 2022.

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out for design, development, testing, etc. ITSD estimates the project would take 218.16 hours at a contract rate of \$75 per hour for a total cost to the state of \$16,362 in FY 2020. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$16,362) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

In response to a previous version, officials from the **Office of Administration (OA)** assumed the intent of this proposal would be to require the OA to report information with no oversight or audit of the information. OA assumes this proposal will have no impact beyond the potential ITSD impact mentioned above. OA intends to create and add a standardized form to the budget instructions and collect this information during the budget process. OA will then post it along with all the other budget information that is currently posted. ITSD will need the capacity to create a web page that the information can be uploaded to should the information be of large volume or requires that each agency be able to submit their own information in their own format.

Oversight inquired with officials from the Office of Administration. OA- Division of Accounting had originally responded to this proposal with a request for 20 new staff members to provide desk audits of the documentation required of this proposal. OA assumed a cost of \$1,290,904 in FY 2020, \$1,118,564 in FY 2021 and \$1,118,564 in FY 2022. OA asked that their previous response be removed as OA had misinterpreted the bill to mean they had to do more of an audit type procedure of these projects.

ASSUMPTION (continued)

OA states that now that they understand the intent of the proposal is to be more of just a reporting requirement, with no oversight or audit of the information, OA now assumes they would have no impact beyond the potential IT costs.

Oversight assumes the Office of Administration could potentially need one additional FTE to fulfill the requirements of this proposal. Oversight notes that an average salary for a current Auditor 1 position within OA is \$31,468, which totals roughly \$50,000 per year when fringe benefits are included. Oversight will range the fiscal impact from \$0 (OA does not need an additional FTE) to roughly \$50,000 per year.

In response to a previous version, officials from the **Department of Health and Senior Services (DHSS)** assumed data being requested in the report, for the most part, is information that is currently available from the programs, with the exception of 37.960.5(5) and (6). These two items require the cost to be adjusted for increases based on Consumer Price Index for All Urban Consumers, as published by the Bureau of Labor Statistics, which will not cause any major additional work on the part of staff.

It is presumed that Health and Senior Services Managers will spend roughly 20 hours per division completing the required report: Health and Senior Services Manager, average annual salary: \$65,874 (\$31.67 per hour @ 80 hours = \$2,533.60). The department anticipates being able to absorb these costs. However, until the FY20 budget is final, the department cannot identify specific funding sources.

Oversight notes that DHSS has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for DHSS.

In response to a previous version, officials from the **Department of Public Safety - Missouri National Guard (MNG)** estimated approximately 30 hours to compile, review and submit this required report. Considering the report will take supervisory review, professional (Architect, Engineer), and administrative review, MNG estimates the average cost would be approximately \$60.00/hour, so the total estimated cost would be about \$1,800 per report. This would come from fund 0190.

Oversight assumes MNG is provided with core funding to handle a certain amount of activity each year. Oversight assumes MNG could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, MNG could request funding through the appropriation process.

ASSUMPTION (continued)

In response to a previous version, officials from the **Office of Administration - Budget and Planning** assumed this proposal:

- has no direct impact on B&P.
- has no direct impact on general and total state revenues.
- will not impact the calculation pursuant to Art. X, Sec. 18(e).

In response to a previous version, officials from the **Department of Higher Education (DHE)** assumed an unknown fiscal impact for this proposal.

While DHE does not have many projects that would rise to the level prescribed in this legislation, if the Division of Workforce Development is merged with DHE, there may be additional projects that would fall into the scope of this legislation. Additionally, DHE works with ITSD on information technology projects and it's unclear if ITSD or DHE or both would be responsible for reporting on those projects. It is also unclear regarding some capital projects if DHE would be responsible to collect and report on those projects. While it appears the legislation intends for higher education institutions to report on their own projects, it is unclear if the legislation is intended to include community college funded capital and maintenance and repair projects as well as State Technical College of Missouri projects.

Oversight assumes DHE is provided with core funding to handle a certain amount of activity each year. Oversight assumes DHE could absorb the costs related to this proposal.

In response to a previous version, officials from the **Office of the State Public Defender, Office of the Secretary of State, Office of the State Auditor, Office of the State Treasurer, Department of Social Services, Missouri Department of Conservation, Department of Economic Development, Department of Insurance, Financial Institutions and Professional Registration, Attorney General's Office, Department of Agriculture, Department of Labor and Industrial Relations, Department of Public Safety - Fire Safety, State Emergency Management Agency, Alcohol and Tobacco Control, Missouri Gaming Commission, Missouri Highway Patrol and the Missouri Veterans Commission, Joint Committee on Administrative Rules, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, Missouri Ethics Commission, Department of Transportation, Office of Prosecution Services, Missouri State Employee's Retirement System, Office of Administration - Administrative Hearing Commission, Office of the State Courts Administrator, Missouri Senate, Department of Elementary and Secondary Education, Department of Natural Resources, Department of Corrections, Department of Revenue, Department of Mental Health and the State Tax Commission** each assumed the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

In response to a previous version, officials from the **Department of Public Safety - Capitol Police, Office of the Governor, Legislative Research and Missouri House of Representatives** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to a previous version, officials from the **University of Central Missouri** and the **University of Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **State Technical College of Missouri** assumed the proposal will have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

Sections 34.040, 34.042, 34.0444, 34.047

Oversight assumes the proposed legislation changes the threshold for advertising for bids in at least 2 newspapers, posting a notice in his or her office and soliciting bids by mail from purchases where the estimated number of expenditures is \$25,000 or over to \$100,000 or over.

In response to a similar proposal from this year (HB 214), officials from the **Office of Administration - Purchasing Division (OA)** stated that in FY 2018, OA spent \$7,504 on advertising. Based on a sampling of bids from last year, approximately 38% of those were under \$100,000; therefore the proposed legislation would result in a \$2,851 savings to the General Revenue Fund.

Oversight notes that the Office of Administration has stated the proposal would have a savings of \$2,851 to their agency. Oversight does not have any information to the contrary. Therefore, Oversight will reflect an average savings of \$2,851 per year.

ASSUMPTION (continued)

In response to a similar proposal from this year (HB 214), from the **Department of Revenue**, the **Department of Natural Resources** and the **Department of Transportation** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

In response to a similar proposal from this year (HB 214), 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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

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 require additional resources.

In response to a similar proposal from this year (HB 214), from the **Joint Committee on Administrative Rules (JCAR)** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Sections 536.015, 536.025, 536.031, 536.033, 536.200, 536.205

In response to a similar proposal from this year (HCS for HB 931), officials from the **Office of the Secretary of State (SOS)** assumed publishing costs in calendar year 2018 for the *Missouri Register* was \$11,374 while register subscription fees totaled \$3,256. Publishing cost for Code updates in 2018 was \$18,312 plus an additional shipping cost of \$9,698 for a total cost of

ASSUMPTION (continued)

\$28,010. Code subscription fees were \$6,370. FY 2020 cost savings lower due to late August effective date.

Oversight notes that the SOS has stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a net savings of \$24,798 in FY 2020, and \$29,758 in FY 2021 and FY 2022 on the fiscal note.

Oversight notes Section 536.033. states copies of the register or code shall be available to public by SOS upon request for a reasonable charge not to exceed the actual cost. All fees collected by SOS from the sale shall be deposited to general revenue.

In response to a similar proposal from this year (HCS for HB 931), officials from the **Joint Committee on Administrative Rules (JCAR)** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

In response to a similar proposal from this year (HCS for HB 931), officials from the **State Auditor's Office, Missouri Ethics Commission, MoDOT and Patrol Employees Retirement System, Department of Public Safety-Office of the Director, Department of Elementary and Secondary Education, Office of Administration, Department of Higher Education, Department of Public Safety-Missouri National Guard, Department of Revenue, Department of Public Safety-Missouri State Highway Patrol, Legislative Research, Missouri Lottery Commission, Department of Public Safety-Capitol Police, Office of State Courts Administrator, Department of Public Safety-State Emergency Management Agency, Office of Prosecution Services, Missouri Senate, Missouri Tax Commission, Missouri State Employees' Retirement System, Missouri Consolidated Health Care Plan, Office of Administration-Budget and Planning, Department of Public Safety-Gaming Commission, Department of Insurance, Financial Institutions and Professional Registration, Department of Corrections, Office of the State Treasurer, Department of Health and Senior Services, Department of Transportation, Department of Natural Resources, Office of the Governor, Department of Labor and Industrial Relations, Department of Mental Health, Office of Administration-Administrative Hearing**

ASSUMPTION (continued)

Commission, Attorney General's Office, Missouri Department of Conservation, and Department of Economic Development each assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal from this year (HCS for HB 931), officials from the **Department of Social Services, Department of Public Safety-Veterans Commission, Department of Agriculture, Missouri House of Representatives, Department of Public Safety-Alcohol and Tobacco Control, Office of the State Public Defender, and Department of Public Safety-Fire Safety** each assumed the proposal will have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Senate Amendment 1 - Allows departments to incur credit card fees, with limitations;

In response to a similar proposal from 2018 (HB 2140), officials from the **Missouri Lottery Commission (Lottery)** assumed section 37.007 of this proposal authorizes the commissioner of administration to allow state agencies to pay fees associated with utilizing debit, credit and other electronic payment methods if payment of the fees would result in a positive fiscal impact to the state. This bill would allow the Lottery to pay fees associated with accepting debit, credit and other electronic payment methods for the purchase of Lottery tickets in its regional offices and at events such as the State Fair.

The Lottery believes Lottery ticket sales in its regional offices and at events will increase if we are allowed to pay transaction fees associated with debit and credit card purchases. The Lottery believes this unknown positive impact on Lottery sales may positively impact proceeds for education in future years.

Oversight will reflect a \$0 - Unknown revenue to the Lottery Proceeds Fund (0291) to reflect the possible increase in sales due to the Lottery being allowed to pay fees associated with accepting debit, credit and other electronic payment methods.

Senate Amendment 2 - Allows state colleges & universities to enter into long-term concession:

In response to a similar proposal (SB 474), Oversight received the following responses:

Officials from the **Department of Higher Education** assumed the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from **State Technical College of Missouri** assumed there would be a positive fiscal impact on the college. The proposal would allow the college the opportunity to avoid capital expenditure related to constructing and maintaining new buildings by shifting that cost and risk to the private sector.

Officials from **University of Missouri System** assumed this proposal has no significant cost impact on the university.

Oversight received a limited number of responses from colleges and universities related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight notes that one college stated the proposal would have a positive fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will show a range of impact to \$0 (no long-term concession agreements) to an unknown savings from reduce capital expenditures. Oversight notes this proposal is permissive.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other colleges and universities were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Savings</u> - OA - Advertising savings for purchases between \$25,000 (current limit) and \$100,000 (new limit) (§§34.040-34.047)	\$2,376	\$2,851	\$2,851
<u>Savings</u> - SOS Publication and shipping costs (§§536.015-536.205)	\$32,820	\$39,384	\$39,384
<u>Savings</u> - OA - able to preserve and/or provide digital copies instead of originals (§33.150) p. 3	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - OA-ITSD (ranged from contracting out programming (\$16,362) to hiring additional FTE IT Specialist) (§37.960)	<u>(\$16,362) to (\$66,632)</u>	<u>\$0 to (\$80,631)</u>	<u>\$0 to (\$80,631)</u>
<u>Cost</u> - OA (ranged from 0 FTE to 1 additional FTE) (§37.960)	<u>\$0 to (\$41,666)</u>	<u>\$0 to (\$50,000)</u>	<u>\$0 to (\$50,000)</u>
<u>Loss</u> - SOS decreased fee collection (§§536.015-536.205)	<u>(\$8,022)</u>	<u>(\$9,626)</u>	<u>(\$9,626)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>More than \$10,812 to Less than (\$81,124)</u>	<u>More than \$32,609 to Less than (\$98,022)</u>	<u>More than \$32,609 to Less than (\$98,022)</u>
Estimated Net FTE Change to the General Revenue Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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COLLEGE & UNIVERSITY FUNDS

<u>Savings</u> - potential reduced capital expenditure costs (SA 2)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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LOTTERY PROCEEDS FUND (0291)

<u>Revenue</u> - Lottery Possible increase in ticket sales (SA1)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Certain small businesses could be impacted by the changes in this bill.

FISCAL DESCRIPTION

This bill modifies provisions affecting the Office of Administration and the Secretary of State.
 posted to the Office of Administration website.

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

Attorney General's Office
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
 Division of Alcohol and Tobacco Control
 Capitol Police
 Fire Safety
 Missouri Gaming Commission
 Missouri Highway Patrol
 Missouri National Guard
 State Emergency Management Agency
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
Office of Administration
 Division of Accounting
 Information Technology Services Division
 Budget and Planning
 Administrative Hearing Commission
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State

SOURCES OF INFORMATION (continued)

Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
State Technical College of Missouri
University of Missouri



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May 16, 2019

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May 16, 2019