

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2314-07  
Bill No.: Truly Agreed To and Finally Passed SS for HCS for HB 1088  
Subject: Office of Administration  
Type: Original  
Date: June 18, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	Less than (\$62,384) to (\$154,320)	Less than (\$45,559) to (\$176,190)	Less than (\$46,294) to (\$176,925)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Less than (\$62,384) to (\$154,320)</b>	<b>Less than (\$45,559) to (\$176,190)</b>	<b>Less than (\$46,294) to (\$176,925)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Lottery Proceeds Fund (0291)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Colleges and Universities	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	1 to 3 FTE	1 to 3 FTE	1 to 3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 to 3 FTE</b>	<b>1 to 3 FTE</b>	<b>1 to 3 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 33.150**

Officials from the **Office of Administration - Budget and Planning** assume this legislation changes requirements for record keeping for the Commissioner of Administration. This provision allows for the Commissioner to keep the original documents or an exact digital copy of the original. This provision will:

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

**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.

#### **Sections 34.040, 34.042, 34.044, 34.047**

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume the majority of current contracts specific to the DOLIR fall within the \$25,000-\$100,000 range (and would now be handled by DOLIR instead of OA). The Department anticipates a sizeable increase in the number of contracts for which it will be responsible and would require 1.00 Procurement Officer I (\$45,700 annually) to handle the increase in workload including tracking contracts, coordinating contract requirements with divisions and ensuring procurement rules are followed, processing orders and purchases, revising contracts and creating amendments, approving payments and invoices, answering questions from staff and vendors, and monitoring Minority Business Enterprise and Women Owned Business Enterprise (MBE/WBE) participation. Standard per FTE expense and equipment would also be required. Administrative Services for the DOLIR are funded using a cost allocation plan with transfers made to the DOLIR Administrative Funds associated with this fiscal note would be paid from this fund.

ASSUMPTION (continued)

**Oversight** notes that the DOLIR 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 fiscal impact for \$73,196 in FY 2020, \$78,168 in FY 2021 and \$78,903 in FY 2022 to the General Revenue Fund.

**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.

Officials from the **Office of Administration - Budget and Planning** assume this legislation allows the Commissioner of Administration to conduct a reverse auction and changes the procedures in which the Commissioner of Administration conducts competitive bids. B&P defers to OA Purchasing. These provisions may lead to savings to the state, but savings are excluded from TSR/18(e). Therefore, these provisions:

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

Section 37.007

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.

ASSUMPTION (continued)

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 a possible increase in sales due to the Lottery being allowed to pay fees associated with accepting debit, credit and other electronic payment methods as assumed by Lottery.

Section 37.960.3

Officials from the **Office of Administration - Information Technology Services Division (ITSD)** state 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.

Officials from the **Office of Administration - Information Technology Services Division (ITSD)** also assume 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.

ASSUMPTION (continued)

**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).

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. 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.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** estimate 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.

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).

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

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 \$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.

ASSUMPTION (continued)

Section 174.345

In response to a similar proposal from this year (SB 474), 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.

**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](http://www.legislativeoversight.mo.gov).

Bill as a whole

Officials from the **Joint Committee on Administrative Rules (JCAR)** state 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.



ASSUMPTION (continued)

Officials from the **Missouri House of Representatives**, the **Department of Higher Education**, the **Attorney General's Office**, the **Department of Revenue**, the **Office of the State Courts Administrator**, the **Department of Social Services**, the **Missouri Department of Conservation**, the **Department of Natural Resources**, the **Missouri State Employee's Retirement System**, the **Office of Administration - Administrative Hearing Commission**, the **Department of Economic Development (Division of Energy, Public Service Commission, Office of Public Counsel)**, the **Department of Transportation**, the **Office of the Governor**, the **Department of Elementary and Secondary Education**, the **Department of Mental Health**, the **Office of the State Treasurer**, the **Office of the State Auditor**, the **Department of Public Safety (Division of Fire Safety, Missouri Highway Patrol, Office of the Director)**, the **Office of the State Public Defender**, the **Legislative Research**, the **State Tax Commission**, the **Missouri Senate**, **University of Central Missouri**, **Missouri State University** and **University of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Corrections**, the **Department of Insurance**, **Financial Institutions and Professional Registration** and the **Department of Health and Senior Services** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective 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.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<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)	\$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)	(\$16,362) to (\$66,632)	\$0 to (\$80,631)	\$0 to (\$80,631)
<u>Cost</u> - OA (ranged from 0 FTE to 1 additional FTE) (§37.960)	\$0 to (\$41,666)	\$0 to (\$50,000)	\$0 to (\$50,000)
<u>Cost</u> - DOLIR (§34.040)			
Salary	(\$38,083)	(\$46,157)	(\$46,619)
Fringe Benefits	(\$22,114)	(\$26,676)	(\$26,817)
Equipment and Expense	<u>(\$12,999)</u>	<u>(\$5,335)</u>	<u>(\$5,467)</u>
Total Cost - DOLIR	<u>(\$73,196)</u>	<u>(\$78,168)</u>	<u>(\$78,903)</u>
FTE Change - DOLIR (§34.040)	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**GENERAL REVENUE FUND**  
**(continued)**

<u>Loss - SOS</u> decreased fee collection (§§536.015- 536.205)	<u>(\$8,022)</u>	<u>(\$9,626)</u>	<u>(\$9,626)</u>
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<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<u><b>Less than</b></u> <u><b>(\$62,384) to</b></u> <u><b>(\$154,320)</b></u>	<u><b>Less than</b></u> <u><b>(\$45,559) to</b></u> <u><b>(\$176,190)</b></u>	<u><b>Less than</b></u> <u><b>(\$46,294) to</b></u> <u><b>(\$176,925)</b></u>
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Estimated Net FTE Change to the General Revenue Fund	1 to 3 FTE	1 to 3 FTE	1 to 3 FTE
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**COLLEGE & UNIVERSITY FUNDS**

<u>Savings - potential reduced capital</u> expenditure costs (§174.345)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<b>ESTIMATED NET EFFECT ON COLLEGE &amp; UNIVERSITY FUNDS</b>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></u>
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**LOTTERY PROCEEDS FUND (0291)**

<u>Revenue - Lottery</u> Possible increase in ticket sales (§37.007)	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<b>ESTIMATED NET EFFECT TO THE LOTTERY PROCEEDS FUND</b>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></u>	<u><b>\$0 or Unknown</b></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.

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

SOURCES OF INFORMATION (continued)

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



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