

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0890S.01I  
 Bill No.: SB 227  
 Subject: Office of Administration; Contracts and Contractors  
 Type: Original  
 Date: March 4, 2025

Bill Summary: This proposal prohibits public entities from entering into certain contracts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Oversight assumes the potential limitation of investment pools could result in an increase in employer contributions for state agencies that could exceed \$250,000.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Road Fund*	\$0	\$0 or (Unknown)	\$0 or (Unknown)
Various Other State Funds*	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Oversight assumes the potential limitation of investment pools could result in an increase in employer contributions for state agencies that could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Federal Funds*	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Oversight assumes the potential limitation of investment pools could result in an increase in employer contributions for state agencies that could exceed \$250,000.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\*Oversight assumes the potential limitation of investment pools could result in an increase in employer contributions for local political subdivisions.

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 34.650 – Contract Provisions

Officials from the **Office of Administration (OA) – Purchasing Division** assume the proposed legislation will require OA Purchasing to develop internal processes and self-certification/attestation form/language/exhibits. OA-Purchasing will then need to amend existing contracts to include the self-certification/attestation documents and for new procurements, OA Purchasing will need to include vendor/contractor self-certification/attestation language and to ensure that contracts are not awarded to such entities that have the stipulations in the proposed legislation. OA-Purchasing assumes this would take approximately 1,000 hours of staff time at an average hourly salary of \$27.11 per hour to develop the internal processes, forms/language/exhibits, and to include the forms/language/exhibits in any new procurements. Therefore, OA-Purchasing estimates the total fiscal impact of this bill to be at least \$27,110. At this time, it is believed that the additional staff time and resources can be absorbed by OA-Purchasing.

However, if there are multiple pieces of legislation passed where OA-Purchasing has responded that the costs can be absorbed, OA-Purchasing would need to reevaluate to see if additional staff and associated expenses would then be required.

OA – Purchasing Division states it is possible that the restrictions on companies may cause certain vendors to be unable to be a contractor or do business with Missouri.

Additional fiscal impact could also result if OA-Purchasing's assumption is incorrect that compliance with this bill can be achieved with a self-certification/attestation form. The bill language does not require OA-Purchasing to take any specific steps to investigate contractor's compliance with this requirement, but if such compliance checks are implied, then fiscally the impact would be higher. Note that OA-Purchasing can only address those contracts issued by it, and each state agency would have to do their own compliance checks or reviews for every one of its purchases and contracts covered by the law.

Officials from the **Office of Administration - Facilities Management, Design and Construction (O -FMDC)** state the proposed legislation will require OA-FMDC to develop internal processes and self-certification/attestation form/language/exhibits. OA-FMDC will then need to amend existing contracts to include the self-certification/attestation documents and for new procurements OA-FMDC will need to include contractor self-certification/attestation language and to ensure that contracts are not awarded to such entities that have the stipulations in the proposed legislation. OA-FMDC assumes this would take approximately 1,000 hours of staff time at an average hourly salary of \$32.78 per hour to develop the internal processes, forms/language/exhibits, and to include the forms/language/exhibits in any new procurements.

Therefore OA-FMDC estimates the total fiscal impact of this bill to be at least \$32,780. At this time, it is believed that the additional staff time and resources can be absorbed by OA-FMDC.

However, if there are multiple pieces of legislation passed where OA-FMDC has responded that the costs can be absorbed, OA-FMDC would need to reevaluate to see if additional staff and associated expenses would then be required.

OA-FMDC states it is possible that the restrictions on construction companies may cause certain contractors to be unable to be awarded a contract to.

Additional fiscal impact could also result if OA-FMDC's assumption is incorrect that compliance with this bill can be achieved with a self-certification/attestation form. The bill language does not require OA-FMDC to take any specific steps to investigate the contractor's compliance with this requirement, but if such compliance checks are implied, then fiscally the impact would be higher

Officials from the Office of Administration assume agency can absorb the cost of the proposal. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for OA-Purchasing.

Officials from the **Missouri Department of Conservation** anticipate an unknown fiscal impact.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume under the proposed legislation adding new Section 34.605, a public entity would be prohibited from contracting with a company unless the contract includes a written certification that the company is not currently engaging in and shall not, for the duration of the contract, any kind of economic boycott.

MOSERS assumes this legislation will negatively impact the system's ability to contract with private companies in general but especially investment managers. If managers refuse to contract with MOSERS due to the restrictions of this bill and the remedies for violating them, MOSERS' access to investment pools will be limited and could result in diminished returns over time. If potential contractors decline to submit bids or proposals for non investment contracts, the decreased competition may increase costs and result in higher dollar contracts with lower quality vendors. In addition to any operational costs, the fiscal extent of these impacts is unascertainable but estimated to be significant.

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state, as currently drafted, this bill has a fiscal and operational impact on PSRS and PEERS of Missouri. The Systems have an actuary firm, PwC US(PwC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. This legislation is being submitted to them for an actuarial statement. As soon as the actuarial statement is available, PSRS/PEERS will be amending their fiscal response to include their analysis.

Officials from the **Kansas City Police Employees' Retirement System (KCPERS)** and **Kansas City Police Retirement (KCPRS)** both assume the proposed statutory language in Section

34.650, could impose broad restrictions on vendors that could hinder the ability to secure essential services. As a small organization with limited internal resources, KCPERS and KCPRS rely on specialized external vendors for critical operations, and the proposed requirements may unnecessarily narrow our vendor pool, increase costs, and delay services. These limitations could compromise the ability to effectively manage the system and fulfill fiduciary duties to members and beneficiaries.

Officials from the **Metro St. Louis Sewer District Employees Retirement Plan** state that an exact cost cannot be estimated. Any legislation that limits the number of otherwise qualified bidders will decrease competition and should be expected to lead to higher costs that will be ultimately be borne by ratepayers. Similar laws in other states are being challenged in court and research/reports out of Texas estimate that the laws passed there have hurt economic activity and increased municipal costs.

Officials from the **County Employees' Retirement Fund (CERF)** assume this proposal may have an unknown, possibly negative, fiscal impact to the County Employees' Retirement Fund.

This proposal would impact how the County Employees' Retirement Fund enters into contracts with vendors for services including but not limited to actuarial services, administrative services for its defined contribution plan, information technology (such as hardware, software, and programming), and depository, banking, and custodial services. This proposal would also apply to contracts with investment managers.

By requiring a company to provide the written certification as described in the act, this proposal may have the effect of some potential vendors or service providers choosing not to do business with Missouri public entities. Some companies may be hesitant to provide such written certification. This may result in a smaller number of available service providers from which to choose and possible missed opportunities for Missouri public entities to obtain similar or improved services at a better price. In addition, obtaining written certification from a company may require a longer period of time to complete contract negotiations and may increase administrative time and costs.

Officials from the **Sheriff's Retirement System** state this legislation could have an impact on the Retirement Systems' investment, service and consulting contracts. The impact is unknown at this time.

**Oversight** assumes altering contract language could negatively impact retirement systems ability to contract with private companies and investment managers, ultimately leading to limited investment pools, diminished returns over time, increased cost and higher dollar contracts. Oversight will reflect a range of impact of \$0 to an unknown cost that could be substantial to the state, universities and local political subdivisions.

Officials from the **Attorney General's Office**, the **Department of Natural Resources**, the **Missouri Department of Transportation** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from last year (SB 430), officials from the **Department of Public Safety - Missouri National Guard** assumed the proposal will have no fiscal impact on their respective organizations.

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

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
<u>Cost – increase in employer contribution</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
<b>STATE ROAD FUND</b>			
<u>Cost – increase in employer contribution rates</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE STATE ROAD FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Cost – increase in employer contribution rates</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Cost – increase in employer contribution rates</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT TO FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS*</b>			
<u>Cost – increase in employer contribution rates</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

\*Oversight assumes the potential limitation of investment pools could result in an increase in employer contributions for local political subdivisions.

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under this act, public entities are prohibited from entering into certain contracts with a company unless the contract includes a written certification that the company is not currently engaged in, and agrees for the duration of the contract not to engage in, any kind of economic boycott, as that term is defined in the act. Any contract failing to comply with the provisions of this act shall be void against public policy.

Provisions are included allowing the Attorney General to enforce this act. A company that enters into a contract with a public entity that is subject to this act and engages in any economic boycott during the term of the contract shall be obligated to pay damages to the state in an amount equal to three times all monies paid to the company under the contract. Additionally, any person injured as a result of any violation or threatened violation of this act may bring a cause of action in Cole County Circuit Court and shall be entitled to injunctive relief as well as damages, including costs and attorney fees.

This act does not apply to contracts with a total potential value of less than \$100,000 or to contractors with fewer than 10 employees.

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



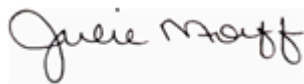
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Department of Natural Resources  
Missouri Department of Conservation  
Missouri Department of Transportation  
Missouri National Guard  
Office of Administration  
Kansas City  
Public Schools and Education Employee Retirement Systems  
Kansas City Civilian Police Employees' Retirement System  
Kansas City Police Retirement System  
Metro St. Louis Sewer District Employees Pension Plan  
Missouri State Employee's Retirement System  
Sheriff's Retirement System  
County Employees' Retirement Fund



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