

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2444S.01I
Bill No.: SB 652
Subject: Department of Corrections; Political Subdivisions; Prisons and Jails; Public
Officers; State Departments
Type: Original
Date: April 14, 2025

Bill Summary: This proposal exempts state and public institution purchases under \$600 from the requirement to be purchased from Missouri Vocational Enterprises.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000
Total Estimated Net Effect on General Revenue	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000

* Oversight assumes there could be some potential savings should state agencies find similar needed items for a lower cost from a vendor other than MVE. Oversight notes \$250,000 is roughly a 2.8% savings.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Other State Funds*	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000	\$0 to Unknown, Could be more or less than \$250,000
Working Capital Revolving Fund**	\$0 to (Unknown, Could be more or less than \$9,000,000)	\$0 to (Unknown, Could be more or less than \$9,000,000)	\$0 to (Unknown, Could be more or less than \$9,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown, Could be more or less than \$8,750,000)	\$0 to (Unknown, Could be more or less than \$8,750,000)	\$0 to (Unknown, Could be more or less than \$8,750,000)

* Oversight assumes there could be some potential savings should state agencies find similar needed items for a lower cost from a vendor other than MVE. Oversight notes \$250,000 is roughly a 2.8% savings.

** Oversight assume there could be a loss if state agencies could elect to purchase elsewhere.

Numbers within parentheses: () indicate costs or losses.

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

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

- ☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§217.575 – Missouri Vocational Enterprises Goods and Services

Officials from the **Department of Corrections (DOC)** assume this proposal exempts state and public institution purchases under \$600 from the requirement to be purchased from Missouri Vocational Enterprises.

Section 217.575 stipulates no goods or services manufactured, provided or produced shall be purchased from any other source for the state or public institutions of the state. This legislation adds the exemption that “this subsection shall not apply to goods or services with a market price of less than six hundred dollars”. This change poses a significant fiscal risk to the Missouri Vocational Enterprises (MVE), a critical component of the Division of Offender Rehabilitative Services (DORS). MVE is solely funded by the sales of its products and operates on a revolving fund separate from any state funding.

MVE recorded \$20,919,118.11 in purchases from 2/14/2024 to 2/14/2025 under \$600:

- o Department of Corrections (DOC) Purchases (39%): \$8,127,615.75 (These purchases are expected to continue under SB 652)
- o Other State Agencies (45%): \$9,362,194.28 (Potential revenue loss due to SB 652)
- o Non-state agency Purchases (16%): \$3,429,308.08 (Unaffected by SB 652)

This change in legislation could cause an estimated loss of \$9,362,194.28 in annual revenues for MVE, primarily from other state agency purchases.

Oversight assumes this legislation could have a potential negative fiscal impact on the MVE program. Oversight assumes all state agencies could continue to use MVE for purchases under \$600 which would result in a \$0 loss to the Working Capital Revolving Fund (0510) or all state agencies could elect to purchase elsewhere. For fiscal note purposes, Oversight will reflect an annual range of loss from \$0 to Unknown could be more or less than \$9,000,000 (FY 2024 Other State Agencies purchases from MVE).

DOC also states this revenue loss will also result in higher operational costs for MVE programs, potentially requiring additional state funding to sustain its rehabilitative mission. Other than the fiscal impact, this change in legislation will cause fewer work opportunities for incarcerated individuals, reducing their ability to gain job skills that improve post-release employment prospects. MVE provides structured work environments, teaches marketable skills, and fosters a sense of responsibility for offenders. Should this legislation pass, MVE will no longer be able to support these offender rehabilitative work programs.

Oversight assumes the above-mentioned losses are indirect cost and will not be reflected in the fiscal note.

Officials from the **Department of Health and Senior Services (DHSS)** assume this proposal allows state agencies to purchase goods and services with a market price of less than \$600 from any vendor, rather than being required to purchase those goods or services from the vocational enterprises program of the state.

This legislation could provide cost savings if the department can purchase the lowest-cost good or service, rather than being mandated to purchase items at a higher cost from the vocational enterprises program of the state. The cost savings is unknown.

The potential cost savings could be offset by the additional staff and equipment needs. It is estimated a twenty-six foot box truck could be needed to allow staff to deliver furniture to offices across the state. The estimated cost of the box truck is \$107,232. In addition two Administrative Support Professionals would be needed to assemble and deliver the furniture at an annual salary of \$59,112 each. Estimated supplies includes hand truck and other tools and equipment needed to assemble and deliver furniture across the state. Additional FTE or box truck could be required over the current projections if significant increase of supplies and other tools would occur to effectively assemble and deliver product to regional office statewide.

Oversight assumes DHSS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DHSS could absorb the costs related to purchasing items under \$600.

Officials from the **Department of Revenue (DOR)** assume this proposal exempts State Agencies from being required to purchase anything with a market price of less than \$600 from Missouri Vocational Enterprises.

This legislation will allow State agencies to purchase items that have a market price of less than \$600 from the market place, rather than being required to purchase such items from Missouri Vocational Enterprises. This will allow for flexibility and cost savings when purchasing these items. The amount of savings is unknown but could be substantial, especially on large office furniture including desks, tables, and chairs.

Oversight assumes there could be some potential savings should state agencies find similar needed items for a lower cost from a vendor other than MVE. Since the percentage of savings is unknown, Oversight will reflect a \$0 (other vendors are not used) to Unknown, Could be more or less than \$250,000 savings to the General Revenue Fund and Other State Funds. (Oversight notes \$250,000 is roughly a 2.8% savings).

Officials from the **Attorney General's Office, the Office of Administration - Administrative Hearing Commission, Office of Administration - Budget and Planning, the Department of Commerce and Insurance, the Department of Economic Development, the Department of**

Elementary and Secondary Education, the Department of Higher Education and Workforce Development, the Department of Mental Health, the Department of Natural Resources, the Department of Labor and Industrial Relations, the Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, State Emergency Management Agency and Veterans Commission), the Department of Social Services, the Office of the Governor, the Joint Committee on Public Employee Retirement, the Missouri Lottery Commission, the Missouri Consolidated Health Care Plan, the Department of Agriculture, the Missouri Department of Conservation, the Missouri Ethics Commission, the Missouri House of Representatives, the Department of Transportation, the MoDOT & Patrol Employees' Retirement System, the Office of Administration, the Office of the State Auditor, the Missouri Senate, the Office of the State Public Defender, Missouri State Employee's Retirement System, the Oversight Division, the Legislative Research, the Office of the State Treasurer and the State Tax Commission each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Savings – (\$217.575)</u> \$600 spending exemption	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>
ESTIMATED NET EFFEC TO THE GENERAL REVENUE FUND	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>
OTHER STATE FUNDS			
<u>Savings - (\$217.575)</u> \$600 spending exemption	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>
ESTIMATED NET EFFEC TO THE OTHER STATE FUNDS	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>	<u>\$0 to</u> <u>Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$250,000</u>
WORKING CAPITAL REVOLVING FUND (0510)			
<u>Loss – DOC – MVE (\$217.575)</u> \$600 spending exemption	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ESTIMATED NET EFFEC TO THE WORKING CAPITAL REVOLVING FUND (0510)	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>	<u>\$0 to</u> <u>(Unknown,</u> <u>Could be more</u> <u>or less than</u> <u>\$9,000,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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 exempts goods and services with a market price of less than \$600 from the requirement that the state and public institutions of the state purchase certain goods and services from Missouri Vocational Enterprises.

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 Commerce and Insurance

Department of Economic Development

Department of Elementary and Secondary Education

Department of Higher Education and Workforce Development

Department of Health and Senior Services

Department of Mental Health

Department of Natural Resources

Department of Corrections

Department of Labor and Industrial Relations

Department of Revenue

Department of Public Safety

Office of the Director

Division of Alcohol and Tobacco Control
Capitol Police
Fire Safety
Missouri Gaming Commission
Missouri Highway Patrol
State Emergency Management Agency
Missouri Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Public Employee Retirement
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Local Government Employees Retirement System
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Missouri Department of Transportation
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Budget and Planning
Facilities Management, Design and Construction
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Public Schools and Education Employee Retirement Systems
State Tax Commission



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