

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3314-04
BILL NO.: SB 887
SUBJECT: Contracts and Contractors
TYPE: Original
DATE: February 21, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$89,659)	(\$96,840)	(\$98,784)
Various	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds *	(\$89,659)	(\$96,840)	(\$98,784)

***Does not include possible increased costs for services and goods.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Facilities Management (DFM)** assume the proposal would result in additional costs. The DFM assumes the Rapid Response contractor will increase overhead costs by 1% and pass those costs on to DFM when billed for services. Since the Rapid Response contract is "owned" by the Division of Design and Construction, that agency would be responsible for tracking and reporting the additional cost of subcontracting to a minority vendor versus subcontracting to the lowest and best subcontractor. The Rapid Response contract has a ceiling of \$2 million per year, therefore, DFM anticipates additional expense to be \$20,000 per year.

For DFM leasing, it is anticipated that 50 - 125 actions per year would be impacted by this legislation, requiring one additional FTE. The DFM assumes the need for one Contract Specialist I (1 FTE at \$34,992 per year) to be responsible for categorizing the expenses, tracking renovations at the various leased facilities, verifying the calculations and reporting the expenses to the Minority Purchasing Unit.

Officials from the **Office of Administration - Division of Design and Construction (D&C)** assume the proposal would result in additional contract review time, data collection, and report generation. Based on recent history, (July 1, 1999 - January 15, 2000), D&C will bid approximately 100 projects annually. The review, data collection, and report generation will require approximately 10 hours per project (10 hours x 100 projects = 1,000 hours). The D&C has requested a .5 Contract Specialist II (.5 FTE at \$34,992 per year) to handle the additional workload.

Officials from the **Department of Natural Resources (DNR)** assume the additional responsibilities of record keeping, analysis and reporting on the department's purchasing officers and agents that this bill requires may mean that the department will have to request additional resources. The exact volume of contracts that may meet the criteria of additional responsibility set out in this legislation are unknown. Therefore, the department assumes they would not request additional resources initially unless it can be determined that the increased volume resulting from passage of this proposal is sufficiently high enough to warrant additional staff.

Officials from the **Coordinating Board for Higher Education (CBH)** assume the CBH has few contracts and the reporting requirements would not result in fiscal impact. Some institutions of higher education that have many external contracts may have a fiscal impact, especially if costs associated with the reporting requirements mandated on the general contractor are passed on to the institutions.

ASSUMPTION (continued)

Officials from the **Department of Health (DOH)** assume the proposal would result in no significant costs, unless detailed reporting requirements are placed on the department.

Officials from the **Department of Transportation (DHT)** assume the proposal requires reporting on state contracts which have a “minority business participation goal”. DHT’s federally-funded contracts have a “disadvantaged business enterprise” participation goal, involving firms which could be either minority-owned or women-owned; and we have no contracts which involve a “minority business participation goal”, as such. Thus, it is not clear whether these statutes would apply to MHTC/DHT construction projects. However, the provisions of this legislation do not add additional responsibilities to DHT. Therefore, there will be no impact on DHT.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would appear to affect nearly all MDC construction contracts. It would seem to add considerable time and paperwork to the construction process; however, an actual amount could not be readily determined.

Officials from the **Department of Agriculture (AGR)** assume the proposal would have an unknown fiscal impact on their agency.

Officials from the **Department of Insurance (INS), Department of Elementary and Secondary Education (DES), Office of Administration - Division of Purchasing and Materials Management (DPM), Department of Social Services (DOS), Office of State Courts Administrator (CTS), Department of Revenue (DOR), Department of Mental Health (DMH), Department of Public Safety - Division of Fire Safety (DFS), Department of Public Safety - Missouri Veterans’ Commission (VET), Department of Public Safety - Division of Water Patrol (DWS) and the Department of Economic Development - Division of Motor Carrier and Railroad Safety (DED)** assume the proposed legislation would have either no or minimal fiscal impact on their agencies.

Officials from the **Department of Corrections (DOC)** did not respond to our fiscal impact request.

(10 Mos.)

GENERAL REVENUE FUND

Costs - Office of Administration (COA)

Division of Facilities Management (DFM)

Personal Service (1 FTE)	(\$29,877)	(\$36,763)	(\$37,682)
Fringe Benefits	(9,187)	(11,305)	(11,587)
Expense and Equipment	(31,062)	(24,738)	(24,880)
Total <u>Costs</u> - DFM	(\$70,126)	(\$72,806)	(\$74,149)

Costs - Office of Administration (COA)

Division of Design and Construction (D&C)

Personal Service (.5 FTE)	(\$14,939)	(\$18,382)	(\$18,841)
Fringe Benefits	(4,594)	(5,652)	(5,794)
Total <u>Costs</u> - D&C	(\$19,533)	(\$24,034)	(\$24,635)

**ESTIMATED NET EFFECT TO
 GENERAL REVENUE FUND**

(\$89,659) (\$96,840) (\$98,784)

VARIOUS STATE FUNDS

Costs- Increased Contract Amounts **(Unknown) (Unknown) (Unknown)**

FISCAL IMPACT - Local Government

FY 2001 FY 2002 FY 2003
 (10 Mos.)

\$0 \$0 \$0

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on small businesses with regard to increased paperwork in order to comply with the additional reporting requirements. This proposal would require contractors to track and report information they currently are probably not capturing.

DESCRIPTION

L.R. NO. 3314-04
BILL NO. SB 887
PAGE 5 OF 5
February 21, 2000

This act requires general contractors to report to the contracting agency any differences between minority business bids and lowest bidders when the contract has a minority business participation goal. Each agency must report the information to the Office of Administration, which shall keep track of the totals.

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

This proposal would not affect Total State Revenues.

SOURCES OF INFORMATION

Office of Administration - Division of Facilities Management
Office of Administration - Division of Design and Construction
Department of Natural Resources
Coordinating Board for Higher Education
Department of Health
Department of Transportation
Missouri Department of Conservation
Department of Agriculture
Department of Insurance
Department of Elementary and Secondary Education
Office of Administration - Division of Purchasing and Materials Management
Department of Social Services
Office of State Courts Administrator
Department of Revenue
Department of Mental Health
Department of Public Safety - Division of Fire Safety
Department of Public Safety - Missouri Veterans' Commission
Department of Public Safety - Division of Water Patrol
Department of Economic Development - Division of Motor Carrier and Railroad Safety

NOT RESPONDING: Department of Corrections



Jeanne Jarrett, CPA
Director
February 21, 2000