COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3200-01
Bill No.: HB 1068
Subject: Administration, Office of
Type: Original
Date: January 29, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue Fund	$0	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	**$0**	**Unknown**	**Unknown**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various state funds	$0	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	**$0**	**Unknown**	**Unknown**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various federal funds	$0	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**Unknown**	**Unknown**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services**, the **Department of Mental Health**, and the **Department of Transportation** assume this proposal would have no financial impact on their organizations.

In response to a similar proposal, officials from the **Department of Public Safety, Office of the Director, Division of Fire Safety, Missouri Veterans Commission**, **Capitol Police**, **State Highway Patrol, State Emergency Management Agency,** the **Department of Elementary and Secondary Education**, the **Department of Economic Development, Public Service Commission,** the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Natural Resources**, the **Department of Agriculture**, and the **Department of Higher Education** assumed this proposal would have no financial impact on their organizations.

In response to a similar proposal, officials from the **Missouri Department of Conservation** assume this proposal could result in some undetermined savings to the state and to the Conservation Commission Fund depending on how the reverse auctions are conducted.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Purchasing and Materials Management**, (DPMM) assume this proposal would authorize DPMM to utilize a reverse auction procurement process when it is in the best interest of the state. DPMM assumes it would help to expedite the bid award process and provide an opportunity to obtain costs savings on behalf of the state. DPMM assumes that additional software and staff training would be necessary to operate the reverse auction system. However, DPMM does not view this as a significant effort. Long -range implications for the reverse auction process would include cost savings and expediting the bid award process.

This legislation would have a fiscal impact to the DPMM. The usual cost methodology of a reverse auction process can be calculated in two ways. The first method is a flat fee based on the purchase order amount. The second method is to apply a predetermined percentage charge based on the purchase order amount. Neither option would be used unless there is a significant cost savings to the agency.

Oversight assumes that the proposal could result in long-term savings to the state through expedited purchasing procedures and use of a reverse auction process where it results in lower net cost to the state. Oversight assumes that DPMM would use this authority when it would be advantageous to the state, and that significant savings might be achieved over the long term. Oversight also assumes there would be some transaction cost involved in the reverse auction process. Oversight has shown unknown savings net of transaction costs beginning in FY 2006 in this fiscal note.

In response to a similar proposal in the prior session, officials from the **Office of the Secretary of State** assume this bill would require the Division of Purchasing and Materials Management to promulgate rules to enact this legislation. Based on experience with other divisions, the rules, regulations, and forms issued by the Division of Purchasing and Materials Management could require as many as 8 pages in the Code of State Regulations and half again as many pages in the Missouri Register because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Register is $23 and the estimated cost of a page in the Code is $27. The actual cost could be more or less than the numbers given. The impact of the legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. ((8x$27)+(12x$23)=$492)

ASSUMPTION (continued)

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 request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
Revenue - DPMM			
Reverse auction charges to agencies	$0	Unknown	Unknown
Cost Reduction - DPMM			
Administrative cost	$0	Unknown	Unknown
Cost Reduction - state agencies			
Administrative cost	$0	Unknown	Unknown
Cost reduction - state agencies			
Service and Commodity cost	$0	Unknown	Unknown
Cost - agencies			
Reverse auction charges	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**Unknown**	**Unknown**

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
OTHER STATE FUNDS			

Revenue - DPMM			
Reverse auction charges to agencies	$0	Unknown	Unknown
Cost Reduction - DPMM			
Administrative cost	$0	Unknown	Unknown
Cost Reduction - state agencies			
Administrative cost	$0	Unknown	Unknown
Cost reduction - state agencies			
Service and Commodity cost	$0	Unknown	Unknown
Cost - agencies			
Reverse auction charges	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**$0**	**Unknown**	**Unknown**

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
FEDERAL FUNDS			
Revenue - DPMM			
Reverse auction charges to agencies	$0	Unknown	Unknown
Cost Reduction - DPMM			
Administrative cost	$0	Unknown	Unknown
Cost Reduction - state agencies			
Administrative cost	$0	Unknown	Unknown
Cost reduction - state agencies			
Service and Commodity cost	$0	Unknown	Unknown
Cost - agencies			
Reverse auction charges	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**Unknown**	**Unknown**

FISCAL IMPACT - Local Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could affect small businesses by expanding their bidding opportunities and by encouraging more and wider competition for state purchases.

DESCRIPTION

This proposal would modify state procurement laws. Upon passage of the proposal, the commissioner of administration could authorize the use of the reverse auction procurement method to procure goods or nonprofessional services if the commissioner believes that practice would result in savings to the state. The office of administration would promulgate rules regarding the handling of the reverse auction process.

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

Office of Administration
Division of Purchasing and Materials Management
Department of Mental Health
Department of Social Services
Department of Transportation

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Director
January 29, 2004

SS:LR:OD (12/02)