

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3841-01
Bill No.: HB 1282
Subject: Original
Type: Contracts and Contractors: Transportation; Transportation Dept.
Date: May 6, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(unknown)	(unknown)	(unknown)
Total Estimated Net Effect on General Revenue Fund	(unknown)	(unknown)	(unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Fund	unknown to (unknown)	unknown to (unknown)	unknown to (unknown)
Road Fund	unknown	unknown	unknown
Total Estimated Net Effect on <u>Other</u> State Funds	unknown to (unknown)	unknown to (unknown)	unknown to (unknown)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Auditor's Office (SAU)** anticipate this proposal would have fiscal impact on their agency. A review of the privatization contracts would require a full-time position for at least one Senior Auditor I. **Oversight** assumes that not being certain of the number of contracts to be forwarded to SAU, it is impossible to determine whether existing staff would be sufficient to complete these duties or if additional staff will be needed.

Officials of the **Department of Transportation (MoDOT)** also anticipate this proposal would have fiscal impact on their agency. MoDOT officials stated they could not estimate the fiscal impact due to uncertainty involved in determining the amount of staff time required to perform the following: (1) cost/benefit analysis of each service provided by MoDOT valued at \$200,000 or more; (2) preparation of written statements regarding the quantity and quality of services; (3) cost justification statements (using MoDOT employees) prior to soliciting bids; and (4) soliciting bids for the services to be privatized.

MoDOT officials further state that it is impossible to project cost savings from privatized contracts or the savings from eliminating department employees that perform the services that are privatized. Oversight concurs that not knowing the number of contracts or the amounts of the potential bids prevents arriving at a finite amount of cost savings.

RK:LR:OD (12/02)

ASSUMPTION (continued)

MoDOT officials noted that the bidding process prescribed in this legislation differs from the Qualifications Based Selections (QBS) process required by the Federal Highway Administration. They believe this conflict would result in loss of federal funds on federal-aid eligible consultant contracts. Oversight assumes it is not possible to predict potential losses of federal funds, as competitive bidding process could be undertaken within the scope of the QBS process.

Oversight cannot project whether or not the fiscal impact of this legislation is above or below \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Cost</u> – to State Auditor’s Office			
Review of privatization contracts	(unknown)	(unknown)	(unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(unknown)</u>	<u>(unknown)</u>	<u>(unknown)</u>
HIGHWAY FUND			
<u>Savings</u> – to MoDOT			
Privatized contracts	unknown	unknown	unknown
<u>Cost</u> – to MoDOT			
Performance of cost/benefit analyses & various bid preparations	(unknown)	(unknown)	(unknown)
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>unknown to (unknown)</u>	<u>unknown to (unknown)</u>	<u>unknown to (unknown)</u>

ROAD FUND

Savings – to MoDOT			
Privatized contracts	unknown	unknown	unknown

ESTIMATED NET EFFECT ON ROAD FUND

<u>unknown</u>	<u>unknown</u>	<u>unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

MoDOT assumes that, depending on the services that are privatized, this legislation could positively impact certain small businesses.

DESCRIPTION

This legislation, known as the “Transportation Service Accountability Act,” requires MoDOT to prepare cost/benefit analyses of the privatizing services vs. continuing to provide those services through employees of the department for all services valued at \$200,000 or more, excluding agreements that only provide legal or management consulting services.

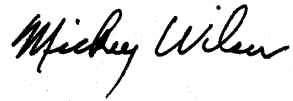
This act provides that if MoDOT finds it to be cost-effective to privatize a service, a detailed description of the services and its costs will be prepared and competitive, sealed bids solicited. For privatization of a service to be considered as an option, the projected cost savings must exceed 10% of the cost of delivering the service with MoDOT employees. The terms of such contracts, which SAU is required to review, must not exceed five years.

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

L.R. No. 3841-01
Bill No. HB 1282
Page 5 of 5
May 6, 2004

SOURCES OF INFORMATION

State Auditor's Office
Department of Transportation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 6, 2004