

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3896-05
Bill No.: SCS for HCS for HB 1367 w/ SA 1
Subject: Administration, Office of; Charities; Elementary and Secondary Education Dept.
Type: Original
Date: May 10, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue*	\$0	(\$2,379,128)	(\$4,586,256)
Total Estimated Net Effect on General Revenue Fund *	\$0	(\$2,379,128)	(\$4,586,256)

* subject to appropriation.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Sheltered Workshop Per Diem Revolving *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Net of transfers in and out, equal to General Revenue Fund cost.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sheltered Workshop Purchasing Preference

Officials from the **Office of Administration, Division of Purchasing and Materials Management** (DPMM) assume this proposal would require DPMM to revise current bid language to inform bidders of the bonus preference given to bids for products and services manufactured, produced, or assembled by qualified nonprofit organizations for the blind. Also, DPMM would have require an affidavit signed by the director or manager and board president of a participating nonprofit organization to be provided to the purchasing agency by the contractor for compliance verification.

The increase in the bonus points could skew the evaluation and cause the award to go to a bidder other than the lowest and best based on the bonus points given rather than bid's merits. DPMM officials stated they were unable to determine the fiscal impact of this bill on future state contracts.

ASSUMPTION (continued)

Officials from the **Office of Administration, Office of the Commissioner** (OA) assumed a previous version of this proposal would require OA to give a 25 point preference where the bidder includes as part of the bid a sheltered workshop or nonprofit company for the blind, so long as the workshop or nonprofit earns \$5,000 out of the contract. OA estimated the cost of this proposal from zero to infinity.

Officials from the **Office of Administration, Administrative Hearing Commission** and the **Department of Elementary and Secondary Education** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Oversight assumes this proposal could have an unknown negative impact on state funds and on local governments. Oversight is not able to estimate the number of organizations which might qualify for this bidding preference or the number and amount of contracts they might be awarded as a result of this bid preference. However, because this proposal would not require an increase in the budget or appropriations for any state fund, Oversight has not shown any fiscal impact to state funds.

Sheltered Workshop Subsidies

Officials from the **Department of Elementary and Secondary Education** (DESE) stated that the average number of employees in subsidized sheltered workshops over the past three years was 5,564, and the average days worked by each employee was 251. Based on projected increases in the standard pay rate for that bill, DESE estimated the cost of increased subsidies beginning July 1, 2008 at \$2,370,835 for FY 2009 and \$5,163,963 for FY 2009.

Oversight assumes the cost of this increased subsidy would require increased subsidy payments from DESE as follows:

FY 2008	5564 employees x 251 days x \$2 per day = \$2,793,128
FY 2009	5564 employees x 251 days x \$4 per day = \$4,586,256

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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GENERAL REVENUE

<u>Cost</u> - Disbursement to Sheltered Workshop Per Diem Revolving Fund*	\$0	(\$2,793,128)	(\$4,586,256)
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ESTIMATED NET EFFECT TO GENERAL REVENUE*	<u>\$0</u>	<u>(\$2,793,128)</u>	<u>(\$4,586,256)</u>
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* subject to appropriation.

SHELTERED WORKSHOP PER DIEM REVOLVING FUND

<u>Transfer In</u> - General Revenue	\$0	\$2,379,128	\$4,586,256
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<u>Costs</u> - Sheltered Workshops	\$0	(\$2,793,128)	(\$4,586,256)
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ESTIMATED NET EFFECT ON SHELTERED WORKSHOP PER DIEM REVOLVING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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LOCAL GOVERNMENTS

<u>Increased costs</u> - products and services	(Unknown)	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

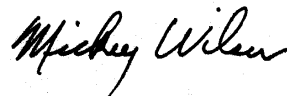
This proposal would modify bidding preference procedures for state purchases. The proposal would increase the preference points from five to ten for qualified nonprofit organizations for the blind, and for sheltered workshops approved by the Department of Elementary and Secondary Education. The preference would apply if the participating nonprofit organization provides the greater of five thousand dollars or two percent of the total contract value of bids, for a purchase not exceeding ten million dollars.

In addition, the proposal would continue the current standard pay rate of sixty-five dollars per standard thirty-hour work week for the period from July 1, 2006 and ending June 30, 2007 at sheltered workshops approved by the Department of Elementary and Secondary Education. The proposal would require a standard pay rate of seventy-five dollars per standard thirty-hour work week for the period from July 1, 2007 and ending June 30, 2008, and a standard pay rate of eighty-five dollars per standard thirty-hour work week for the period from July 1, 2008 and ending June 30, 2009. As of July 1, 2009, the standard pay rate would be ninety dollars.

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
Office of the Commissioner
Division of Purchasing and Materials Management
Administrative Hearing Commission
Department of Elementary and Secondary Education



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Director
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