

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0982-04
Bill No.: SS for SCS for HB 255 w/ SA1, SA2, SA3, SA4
Subject: Administration, Office of; State Departments
Type: Original
Date: May 7, 2007

Bill Summary: This proposal changes laws relating to the Office of Administration.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(\$0 to \$15,000)	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	(\$0 to \$15,000)	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
CI Budget Various Funds	\$330,000	\$330,000	\$330,000
FMRF Fund	\$195,000 to \$227,000	\$195,000 to \$227,000	\$195,000 to \$227,000
Conservation Fund	Unknown less than \$100,000	Unknown less than \$100,000	Unknown less than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$525,000 to \$657,000	\$525,000 to \$657,000	\$525,000 to \$657,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Missouri Senate** and the **Department of Health and Senior Services** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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 \$2,500. 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 the 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.

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.

Officials at the **Office of Administration's Budget and Planning** assume the balance of the Revolving Administrative Trust (RATF) and the State Facilities and Maintenance Operations Fund (SFMOF) are swept each year for any amount over 1/12 of the total appropriations from the RATF and SFMOF. This legislation would raise that threshold to 1/4. The table below shows recent transfers to general revenue, as a result of the current statutory requirement:

	FY2004	FY2005	FY2006
Amount of Transfer from RATF	\$0	\$0	\$464,910 6/14/2006
Amount of Transfer from SMFOF	\$0	\$0	\$0

Officials at the **State Treasurer** assume in FY 06 there was a biennial transfer of \$464,910.27 from the OA Revolving Trust Fund to General Revenue. With the proposed change in the language, this transfer would have been zero. There were no biennial transfers from the OA

Revolving Trust Fund to General Revenue during FY 04 and FY 02. Due to the difficulty in

ASSUMPTION (continued)

projecting future fund balances and appropriations in future years, we estimate the fiscal impact of these changes from zero to unknown.

Oversight assumes there is no impact to state funds from this proposal.

Sections 8.016 and 8.255

Officials at the **Office of Administration** assume approximately 30-35 projects per year have project costs of \$25,000 to \$100,000. Under the proposed legislation, these projects would not require advertising. Our standard estimate of advertising projects is \$3,000. Therefore passage of the proposed legislation would result in the following calculation:

30-35 contracts/yr x \$3000/project advertising = \$90,000-\$105,000 annual savings

The proposed legislation would reduce advertising requirements on all projects. We could reduce our advertising to one major paper for projects within 75 miles of cities having a population of 160,000 or more. Of our approximately 60-70 projects in a year in excess of \$100,000, it is estimated that 25% of these would be within 75 miles of St. Louis and Kansas City. The savings in advertising for these projects could be: $70 \times 25\% = 18 \times \$1,000 = \$18,000$

We could also reduce our advertising on the remaining 75% of other projects in this broad classification by not advertising in any major newspapers. This could result in advertising savings as follows: $52 \times \$2,000 = \$104,000$

TOTAL COST SAVINGS:

Advertising per year \$195,000 - \$227,000

TOTAL JOB ORDER CONTRACTING (JOC) SAVINGS:

Of the proposed 21-JOC's of \$1.6M, an annual savings of \$330,000 annually or \$660,000 bi-annual. (Advertising, misc. exp., RATF, contingency and design)

Officials at the **Department of Conservation (MDC)** assume the proposed legislation has the potential to reduce MDC construction contract advertising expenses. The exact amount of the impact is unknown but expected to be less than \$100,000 annually.

Officials at the **State Library** assume this legislation will have an impact on local libraries developing applications for federal grant programs managed by the State Library. Currently, the

ASSUMPTION (continued)

libraries must comply with local, state, or federal purchase requirements, whichever is strictest.

In most cases, the Missouri state requirements have been the most restrictive. If this legislation is passed, local libraries will also be able to use less restrictive bid processes for their grant-related work. This will make it easier for small libraries to participate in grant programs, and for those libraries to locate suppliers for their projects.

Sections 34.040, 34.042 & 34.044

Officials at the **Office of Administration** assume these sections increase no-bid limits and advertising limits. This will allow for greater efficiency for minor purchases and clarifies the definition of single feasible source to reflect current practice. This will result in some savings but will not have a significant fiscal impact.

Sections 26.220, 26.225, 27.095, 27.100, 28.305, 28.310, 29.405, 29.410, 30.505, & 30.510
Transition Offices

Officials at the **Office of Administration** assume these sections update the transition statutes for newly elected statewide elected officials. The proposed legislation also allows OA to request an appropriation for the costs associated with setting up transition offices every four years. These costs are estimated as follows:

FY 08 (10 months) = \$0
FY 09 = not more than \$15,000
FY10 = \$0

Oversight has shown the transition expenses as \$0 to \$15,000.

Section 37.451 Fleet Management Fund

Officials at the **Department of Higher Education (DHE)** assume that the fiscal impact of this legislation on DHE is unknown. As outlined in Section 37.450, RSMo, subsection 7, a state vehicle fleet fee, to be determined by the Office of Administration, shall be paid by each state agency for each vehicle it owns. There are currently 12 vehicles in DHE's fleet. However, since the state vehicle fleet fee is unknown, it is difficult to determine the fiscal impact on the department.

Oversight assumes that since the vehicle fleet fee is already in statute and this proposal is creating a fund in the state treasury to receive the fee payments that this would not create an

ASSUMPTION (continued)

additional cost to the agencies.

Section 1 Pharmacy Rebate Fund

Officials at the **Budget and Planning** assume this section excludes the existing Pharmacy Rebate Fund from the state's cost allocation plan. The transfer amount for the FY 2007 cost allocation plan from the Pharmacy Rebates Fund (#0114) was \$1,472,365. For future years it is assumed that there will be a negative impact of approximately \$1.5 million to the General Revenue Fund and a positive impact of the same amount to the Pharmacy Rebate Fund. The net impact to all state funds is zero.

Officials at the **Department of Social Services** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

All other sections of this proposal would not have a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Cost - General Revenue</u>			
OA expenses for transition offices	<u>\$0</u>	<u>(\$0 to \$15,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$0 to \$15,000)</u>	<u>\$0</u>

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OTHER STATE FUNDS

<u>Savings</u> - FMRF Fund			
job order contracting	\$330,000	\$330,000	\$333,000
<u>Savings</u> - CI Budget Various Funds			
advertising costs	\$195,000 to \$227,000	\$195,000 to \$227,000	\$195,000 to \$227,000
<u>Savings</u> - Conservation Fund			
advertising costs	<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>	<u>Unknown less than \$100,000</u>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

	<u><u>\$525,000 to \$657,000</u></u>	<u><u>\$525,000 to \$657,000</u></u>	<u><u>\$525,000 to \$657,000</u></u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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 modifies laws relating to the Office of Administration.

The Commissioner of the Office of Administration shall provide each Senator with a key that accesses the dome of the state capitol. (8.106)

The act creates the Fleet Management Fund in the Office of Administration. Currently, proceeds generated from the sale of surplus vehicles are deposited in the Office of Administration Revolving Trust Fund to be used to purchase new vehicles. This act diverts those proceeds to the Fleet Management Fund and allows the fleet manager to use the proceeds to purchase and repair vehicles. (37.451)

FISCAL DESCRIPTION (continued)

Currently, moneys in the State Facility Maintenance and Operation Fund and the Administrative Trust Fund do not lapse unless the year-end balance exceeds one-twelfth of the total amount appropriated, paid, or transferred to the fund during the year. This act raises that amount to one-fourth. (8.294, 37.005)

The Division of Facilities Management and the Division of Design and Construction are merged into the Division of Facilities Management, Design and Construction. (8.110)

State contracts for projects exceeding \$100,000 shall be let to the lowest, responsive, responsible bidder based on pre-established criteria after notice and publication of the proposed project. For projects between \$25,000 and \$100,000, at least 3 contractors shall be solicited with the award going to the lowest, responsive, responsible bidder based on pre-established criteria. (8.250)

The act allows Job-Order Contracting for projects under \$300,000. (8.255)

Political subdivisions are authorized to adopt qualification-based selection procedures commensurate with state policy for the procurement of services. (8.291)

Currently, purchases in excess of \$3,000 are based on competitive bids. This substitute raises that floor to \$10,000. Certain advertising, notice, and solicitation requirements must be followed for purchases exceeding \$100,000 (previously 25,000). (34.040)

When the Commissioner of Administration determines competitive bids are unnecessary, purchases in excess of \$5,000 are based on competitive proposals. This substitute raises that floor to \$10,000. Certain advertising, notice, and solicitation requirements must be followed for purchases exceeding \$100,000 (previously 25,000). (34.042)

The act creates certain categories that do not require a written determination of a single feasible source for the purposes of waiving competitive bid and proposal requirements. (34.044)

The notice requirements for single source purchases are raised from \$5,000 to \$10,000 and the advertising requirements for such purchases are raised from \$25,000 to \$100,000. (34.044)

The act removes a provision relating to the manner in which the Commissioner shall select a personnel director. (37.005)

The act modifies the transition periods for the Governor, Lieutenant Governor, Attorney General, Secretary of State, Auditor, and Treasurer. Currently, all of the periods begin on the 15th day of

FISCAL DESCRIPTION (continued)

November following the election. This date is changed to the 1st day following the election. Expenses incurred during the period may be paid after the actual end of the period. The Commissioner of Administration will request separate funding to cover the costs for setting up transition facilities in each of the offices so that they are operational the day following the election. The act also repeals references to typewriters, adding machines, duplicating machines, and payments for rentals and equipment purchases. (26.220, 26.225, 27.095, 27.100, 28.305, 28.301, 29.405, 29.410, 30.505, 30.510)

Section 34.065 relating to procedures to be taken when the number of bidders is so large that submitting requests to all bidders is impracticable is repealed. Similarly, Section 34.130 requiring all departments to submit a list of estimated needs for supplies for the following fiscal year to the Commissioner is repealed.

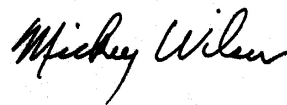
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Budget and Planning
Office of the State Treasurer
Office of the Secretary of State
Missouri Senate
Department of Health and Senior Services
Department of Conservation
Department of Higher Education
State Library
Department of Social Services

NOT RESPONDING

Department of Mental Health



Mickey Wilson, CPA
Director

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