

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4493-01
Bill No.: HB 1794
Subject: Administration, Office of; Business and Commerce; State Departments
Type: Original
Date: March 28, 2008

Bill Summary: This proposal allows for the use of the reverse auction procurement method to purchase goods when price is the primary factor in evaluating bids.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
State Road Fund	Unknown	Unknown	Unknown
Conservation Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Linn State Technical College, Metropolitan Community College, Department of Insurance, Financial Institutions and Professional Registration, Administrative Hearing Commission, Department of Higher Education, Department of Social Service, Truman State University, Department of Elementary and Secondary Education, Department of Labor and Industrial Relations, Department of Revenue, Department of Economic Development, Department of Health and Senior Services, Department of Mental Health, Department of Natural Resources** and the **Lincoln University** assume that there is no fiscal impact from this proposal.

Officials at the **Office of Administration** assume the long range implication of this bill would be possible cost savings to the state by having the ability to use the reverse auction bid process.

Officials at the **Department of Corrections (DOC)** assume the DOC would be required to employ additional procurement officers and clerical support staff (with one-time and on-going expense and equipment costs) dependent upon the specifications determined by OA. Additional staff may be required in the institutional business offices, as well. Although the exact amount of fiscal impact due to passage of this proposal is unknown, it has the potential to be a substantial amount for the DOC per each fiscal year.

Oversight assumes that should the new purchasing guidelines established by the Office of Administration cause the Department of Corrections to have to hire additional staff that the Department of Corrections could seek additional funding through the appropriation process.

Officials at the **Missouri Department of Transportation (MoDOT)** assume the reverse auction procurement methods are currently unknown as a state procurement method, but if used in the most appropriate times, they could result in some savings to MoDOT. Some purchases MoDOT would save money using it; others MoDOT would lose money through that process. The increase of the threshold for purchases for which the agency has to follow competitive bidding process and certain advertising methods for competitive bidding, could potentially save MoDOT in human resources dedicated to conduct the competitive bidding process considering the competitive bidding procedures take longer and involve more paperwork. The amendment of the purchasing recycling laws should have no major fiscal impact on MoDOT, because MoDOT should already be in full compliance with them. The total net fiscal effect is not known.

ASSUMPTION (continued)

Officials at the **Department of Conservation** assume this proposal could result in a positive fiscal impact to MDC funds but the amount is unknown.

Officials at the **University of Missouri (UM)** assume this proposal would result in a positive financial impact on UM by further streamlining procurement processes and possibly driving down acquisition costs.

Oversight assumes this proposal will result in the savings to General Revenue and savings may be seen by other departments but that savings amount is unknown.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings</u> - Office of Administration purchasing procedures	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
STATE ROAD FUND			
<u>Savings</u> - Dept. of Transportation purchasing procedures	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
CONSERVATION FUND			
<u>Savings</u> - Department of Conservation purchasing procedures	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill allows the Commissioner of the Office of Administration to use the reverse auction procurement method to purchase goods and nonprofessional services if the commissioner believes the method will result in savings to the state. The reverse auction procurement method allows bidders to bid on specified goods or nonprofessional services through real-time electronic bidding. Bidders' prices are revealed, and they have an opportunity to modify their bid prices during the bidding period.

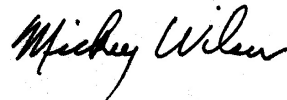
The purchase amount requiring competitive bids is increased from \$3,000 to \$10,000; and the purchase amount requiring advertising is changed from \$25,000 to \$100,000. The bill lists categories that do not require a single feasible source determination.

Obsolete provisions of Chapter 34, RSMo, are 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

Linn State Technical College
Metropolitan Community College
Department of Insurance, Financial Institutions and Professional Registration
Administrative Hearing Commission
Department of Higher Education
Department of Social Services
Truman State University
Department of Conservation
Office of the Secretary of State
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Department of Revenue
Office of Administration
University of Missouri
Department of Economic Development
Department of Health and Senior Services
Department of Mental Health
Lincoln University
Missouri Department of Transportation
Department of Corrections
Department of Natural Resources

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
March 28, 2008