

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0437-01  
Bill No.: HB 213  
Subject: Transportation; Boards, Commissions, Committees and Councils; Roads and Highways  
Type: Original  
Date: February 12, 2019

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Bill Summary: This proposal requires the Highways and Transportation Commission to consider the complete life-cycle costs of work in determining the lowest bid amount submitted for a contract.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
State Road Fund	(Could exceed \$126,852)	(Could exceed \$126,852)	(Could exceed \$126,852)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$126,852)</b>	<b>(Could exceed \$126,852)</b>	<b>(Could exceed \$126,852)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Transportation (MoDOT)** assume this proposal expands the requirements in determining the lowest bidder for a contract and will impact the staff time spent in the preparation and evaluation of our contract bidding process. It will require more staff time to set-up projects, estimate projects, evaluate the bids and determine the appropriate bid that should be awarded. The proposal does not clarify the extent to which projects, work types, or individual project elements would be affected. The potential fiscal impacts, dependent upon the interpretation of the bill, are described below. There will be additional impacts which are difficult to quantify, as revisions to our processes (bid document development systems and bid submittal systems) will have to occur to ensure the ability for contractors to bid with life cycle costs.

	Hours /Project	Number of Projects	Total Hours	Average Cost (assume \$31/hour)
Project set-up	2	372	744	\$ 23,064
Estimate - Pre-bid	6	372	2,232	\$ 69,192
Analyze Bids	2	372	744	\$ 23,064
Award Recommendations	1	372	372	\$ 11,532
<b>Total</b>				<b>\$ 126,852</b>

Note: Assumed that all but 10% of projects would be impacted. Time and costs impacts could be significantly larger dependent upon the interpretation of the bill.

Additionally, MoDOT projects are currently programmed based upon a specific treatment. Allowing contractors to provide bids for more robust and costly treatments which exceed the program amounts, will make it nearly impossible to remain fiscally constrained. Project cost escalation due to project scopes exceeding the program budget would be difficult to address when making determinations at the time of award. The additional project investigation and bid preparation time and costs would significantly impact contractors on most applicable projects.

ASSUMPTION (continued)

The biggest potential impact from this proposal, however, relates to MoDOT's ability to budget each year for the number of projects to improve roads and bridges. Increasing initial award costs will decrease the overall number of projects to be delivered on an annual basis, which will in turn force MoDOT to delay necessary maintenance and rehabilitation on certain roads and bridges.

**Oversight** assumes MoDOT will have increased costs due to this proposal and will reflect a fiscal impact of a negative "Could exceed \$126,852" for each fiscal year.

Officials from the **Office of Administration - Budget and Planning** assume this proposal will have no fiscal impact on their organization, no direct impact on General and Total State Revenues and will not impact the calculation pursuant to Article X Section 18(e).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>STATE ROAD FUND</b>			
<u>Cost</u> - MoDOT - staff time to assess and verify the validity of LCCA's	(Could exceed <u>\$126,852</u> )	(Could exceed <u>\$126,852</u> )	(Could exceed <u>\$126,852</u> )
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND</b>	<b>(Could exceed <u>\$126,852</u>)</b>	<b>(Could exceed <u>\$126,852</u>)</b>	<b>(Could exceed <u>\$126,852</u>)</b>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></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 requires the Missouri Highways and Transportation Commission to consider the life cycle costs of projects when deciding which bid is the lowest. Those bidding on highway projects have the burden to show life cycle costs in their proposals.

FISCAL DESCRIPTION (continued)

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

Department of Transportation



Kyle Rieman  
Director  
February 12, 2019

Ross Strobe  
Assistant Director  
February 12, 2019