

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4541H.01I
Bill No.: HB 1827
Subject: Accountants; Contracts and Contractors
Type: Original
Date: March 12, 2024

Bill Summary: This proposal modifies provisions for giving preference to Missouri companies in state contracts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

*Oversight assumes the cost could potentially be more than \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Various State Funds*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (OA)** assume there is a potential legal impact to OA. The bill provides, just for Missouri-based businesses are given a preference for commodity contracts. Further, the bill states that for Missouri-based businesses awarded a contract, which is terminated early for a non-breach reason, that the government would “be responsible for compensating any and all remaining costs or terms of the contract.” The language does not specify if “costs” are monies due and owing under the contract for work performed and accepted, or if “costs” are out of pocket amounts that the contractor has incurred. Currently the Division of Purchasing contracts specify that early termination will result in payments for just work completed and accepted under the contract.

Officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)** believes this legislation could have an unknown fiscal impact on the State's contract costs. There is no definition of "costs" or "terms of contract" in the proposed language. Most of the FMDC contracts are on an as-needed, if-needed basis. Without additional details, there is no way to quantify compensating any and all remaining costs or terms of the contract.

Using janitorial contracts as an example, potential fiscal impact could be as high as \$20,833,591.01. This amount does not take into account maintenance contracts which could be as much as five times higher than the janitorial contracts.

FMDC believes the impact to be \$0 to unknown.

Officials from the **Missouri Department of Conservation (MDC)** anticipates an unknown negative fiscal impact as a result of the early termination language.

Oversight assumes the proposal specifies that if a contract is terminated early due to any reason other than breach of contract, any remaining compensation and costs must be paid within 60 days of the termination date. Since it is unknown if the contract termination language will be used and if so, how much, Oversight will range a fiscal impact of \$0 to an unknown cost. Oversight assumes this applies to the Commissioner of Administration or any agent of the state with purchasing power, therefore, Oversight will reflect the cost to the General Revenue Fund as well as Various State Funds. Oversight assumes the cost could potentially be more than \$250,000.

Officials from the **Department of Natural Resources**, the **Missouri Department of Transportation** and the **Department of Public Safety - Missouri National Guard** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not

have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Cost – OA Termination Contract Provisions</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
VARIOUS STATE FUNDS			
<u>Cost – Purchasing Power Agencies Termination Contract Provisions</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<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

Currently, in making purchases, the Commissioner of Administration shall give preference to commodities and tangible personal property produced within Missouri, as specified in the bill. This bill adds Missouri-based business to the list of list of businesses that are given preference for purchases made by the state. A "Missouri-based business" is defined as a corporation, limited liability company, limited partnership, or limited liability partnership formed or domiciled in Missouri, whose principal place of business has a physical location within the state. Currently, anyone authorized to make purchases for the state may give preference to Missouri products

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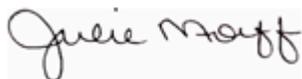
whenever competing bids, in their entirety, are comparable. This bill requires Missouri products or businesses to be given preference.

The bill specifies that if a contract is terminated early due to any reason other than breach of contract, any remaining compensation and costs must be paid within 60 days of the termination date.

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 Natural Resources
Missouri Department of Conservation
Missouri Department of Transportation
Department of Public Safety – Missouri National Guard
Office of Administration



Julie Morff
Director
March 12, 2024



Ross Strobe
Assistant Director
March 12, 2024