

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3200H.01I
 Bill No.: HB 1570
 Subject: State Departments; Contracts and Contractors; Office of Administration
 Type: Original
 Date: April 4, 2025

Bill Summary: This proposal modifies provisions for state department purchasing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund	(Up to \$1,569,394)	(Up to \$1,709,577)	(Up to \$1,739,348)
Total Estimated Net Effect on General Revenue	(Up to \$1,569,394)	(Up to \$1,709,577)	(Up to \$1,739,348)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue (DED)	1 FTE	1 FTE	1 FTE
General Revenue (DHSS)	11 FTE	11 FTE	11 FTE
General Revenue (DPS)	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	14 FTE	14 FTE	14 FTE

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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§34.040 – State Department Purchasing

Officials from the **Office of Administration** assume Section 34.100 RSMo. already allows delegation of procurement authority to departments by the Commissioner of Administration. Such delegations include standard delegations of smaller dollar procurement authority to departments, higher dollar procurement authority to properly trained procurement officers, and individual delegations of additional authority on a case-by-case procurement basis. The current centralization of the state's procurement authority with responsible delegation of lower dollar procurement authority and delegation on a case-by-case basis, as section 34.100 RSMo already provides, maintains sound public procurement processes for Missouri government, leaving higher dollar and statewide procurements that provide for routinely needed products and services by all state agencies with the Office of Administration.

The proposed legislation appears to mandate the delegation of procurement authority to departments upon their request without discretion, which OA believes could jeopardize the state's ability to continue to realize the following centralized procurement model benefits:

1. **Leveraging Statewide Volume:** The state's best opportunity for real cost savings is gained by its collective purchasing volumes rather than splintering them across departments into smaller volumes.
2. **Complexity:** Many of the procurements OA Purchasing handles, both statewide and non-statewide, involve complex bid, evaluation, and negotiation strategies. In its role as the centralized procurement office, the Office of Administration has the expertise and Insight for such strategies which is gained through handling a wide breadth of department procurements that a single department would not have.
3. **Governance Consistency:** Centralized procurement enables efficient application of statewide standards or mandates such as the federal funding requirements, IT architectural standards, and statutory changes established by leadership. Decentralization creates greater risk of inconsistent application and adoption of such standards and mandates which creates risk to the state, particularly with the higher dollar procurements.
4. **Remediation:** The depth of state procurement expertise and oversight used by the central purchasing office in conducting its procurements typically places the state in a position of strength in being able to guard against overturned or successfully litigated procurements. Departments would have to be able to defend their procurements against protest and litigation which are not typical actions taken in smaller dollar procurements under the current delegations of authority; however, with the potential increased authority would come increased risk of protest and litigation.

5. **Neutrality:** As a disinterested third party, OA Purchasing can credibly ensure openness, fairness, and impartially in the procurement process which is important at all levels but vital for higher dollar procurements. Lack of appropriate accountability and neutrality can result in unethical procurement practices, conflicts of interest, and potential for vendors to follow unethical practices.
6. **Public Confidence:** Having a centralized purchasing increases the public's confidence in government purchasing because it places someone in charge of the management of the process through which the state spends a significant amount of its budget.
7. **Resources:** With the current model of centralized procurement, the Office of Administrations completes the primary procurement function for the state which allows Department resources to perform their core responsibilities of providing direct services for the public. All departments receive the same level of procurement expertise and best procurement practices.
8. **Transparency:** Legislators, media, vendors, and the public can easily find bids, award decisions, and resulting contract documents with the Office of Administration's central purchasing office posting all of its documents in one central repository. If each department conducts their own procurements, legislators, media, vendors, and the public would have to work with 17 different departments relative to locating information and getting answers to questions regarding their procurements.
9. **Strategic Procurement Efficiency:** In its central procurement role, the Office of Administration is uniquely positioned to have visibility across all Executive Branch Departments' procurements. Such visibility enables strategic procurement opportunities of leveraging multiple departments' needs into a central procurement and identify approaches that benefit multiple entities. Splintered procurements lose that efficiency and create inconsistency and confusion for vendors and the public.

Oversight is unsure if the legislation is intended to mandate each agency to conduct its own purchasing according to the procedures and requirements set forth in 34.040 with the assistance of OA or if each agency has its own choice to conduct its own purchasing. Therefore, Oversight will reflect the fiscal impact as 'Up to' the cost provided by each agency below.

Officials from the **Department of Economic Development (DED)** assume section 34.040.9 grants the authority to every state department to conduct its own purchasing according to the procedures and requirements set forth in 34.040. The department would need 1 FTE, at \$56,112 annually, to handle DED's procurements.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost as provided by DED to the General Revenue Fund.

Officials from the **Department of Health and Senior Services (DHSS)** assume section 34.040.9 would provide state agencies the authority to conduct their own purchasing according to the procedures and requirements set forth in the chapter. For the purposes of this fiscal note, the department assumes OA, Division of Purchasing would no longer write statewide contracts and each agency would process their own contracts, and that DHSS would exercise purchasing

authority under this provision. The change in contracting authority would require additional staff to process the contracts that are currently sent to Office of Administration (OA), Division of Purchasing. The additional staff needed would include: four (4) Procurement Specialists (salary of \$69,840 annually), three (3) Procurement Analysts (salary of \$59,112 annually), two (2) Lead Administrative Support Assistants (salary of \$46,152 annually), and two (2) Legal Counsel (salary of \$85,000 annually).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost as provided by DHSS to the General Revenue Fund.

Officials from the **Department of Public Safety – Directors Office** assume their department would choose to do their own procurement. DPS states their department would need a mid-level lawyer (\$93,366 annually) and a high-level procurement officer (\$83,784 annually).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the cost as provided by DPS to the General Revenue Fund.

Officials from the **Attorney General’s Office, Office of Administration - Administrative Hearing Commission, Office of Administration - Budget and Planning, the Department of Commerce and Insurance, the Department of Elementary and Secondary Education, the Department of Higher Education and Workforce Development, the Department of Mental Health, the Department of Natural Resources, the Department of Corrections, the Department of Labor and Industrial Relations, the Department of Revenue, the Department of Public Safety (Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, State Emergency Management Agency and Veterans Commission), the Office of the Governor, the Joint Committee on Administrative Rules, the Joint Committee on Public Employee Retirement, the Missouri Lottery Commission, the Missouri Consolidated Health Care Plan, the Department of Agriculture, the Missouri Department of Conservation, the Missouri Ethics Commission, the Department of Transportation, the Office of the State Auditor, the Missouri Senate, the Office of the State Public Defender, the Office of the State Treasurer, the Office of the Lieutenant Governor, the Oversight Division, the Legislative Research, and the State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Cost – DED (§34.040) p.4</u>	Up to...	Up to...	Up to...
Personal Service	(\$46,760)	(\$57,234)	(\$58,379)
Fringe Benefits	(\$31,901)	(\$38,731)	(\$39,190)
Equipment and Expense	(\$19,646)	(\$6,022)	(\$6,143)
<u>Total Cost - DED</u>	(\$98,307)	(\$101,987)	(\$103,712)
FTE Change - DED	1 FTE	1 FTE	1 FTE
<u>Cost – DHSS (§34.040) p.4-5</u>	Up to...	Up to...	Up to...
Personal Service	(\$599,167)	(\$733,380)	(\$748,048)
Fringe Benefits	(\$384,906)	(\$467,651)	(\$473,529)
Equipment and Expense	(\$246,317)	(\$121,860)	(\$124,298)
<u>Total Cost - DHSS</u>	(\$1,230,390)	(\$1,322,891)	(\$1,345,875)
FTE Change – DHSS	11 FTE	11 FTE	11 FTE
<u>Cost – DPS (§34.040) p.5</u>	Up to...	Up to...	Up to...
Personal Service	(\$147,625)	(\$180,693)	(\$184,307)
Fringe Benefits	(\$85,488)	(\$104,006)	(\$105,454)
Equipment and Expense	(\$7,554)	\$0	\$0
<u>Total Cost - DHSS</u>	(\$240,667)	(\$284,699)	(\$289,761)
FTE Change – DPS	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT TO THE GENRAL REVENUE FUND	<u>(Up to \$1,569,394)</u>	<u>(Up to \$1,709,577)</u>	<u>(Up to \$1,739,348)</u>
Estimated Net FTE to the General Revenue Fund	Up to 14 FTE	Up to 14 FTE	Up to 14 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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, all State purchases in excess of \$10,000 are based on competitive bids. On purchases where the estimated expenditure will be \$100,000 or more, the Commissioner of Administration advertises for and solicits bids, then selects the lowest and best bid pursuant to procedures outlined in Chapter 34, RSMo. This bill allows any State department to conduct its own purchasing according to the procedures and requirements of Chapter 34. The Commissioner of Administration will cooperate with and assist any State department requesting to conduct its own purchasing.

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

- Attorney General’s Office
- Department of Commerce and Insurance
- Department of Economic Development
- Department of Elementary and Secondary Education
- Department of Higher Education and Workforce Development
- Department of Health and Senior Services
- Department of Mental Health
- Department of Natural Resources
- Department of Corrections
- Department of Labor and Industrial Relations
- Department of Revenue
- Department of Public Safety
 - Office of the Director
 - Division of Alcohol and Tobacco Control
 - Capitol Police
 - Fire Safety
 - Missouri Gaming Commission

Missouri Highway Patrol
Missouri National Guard
State Emergency Management Agency
Missouri Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Public Employee Retirement
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Local Government Employees Retirement System
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Missouri Department of Transportation
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
 Administrative Hearing Commission
 Budget and Planning
Facilities Management, Design and Construction
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
Public Schools and Education Employee Retirement Systems
State Tax Commission



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