

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0242-01
Bill No.: SB 47
Subject: Administration, Office of; Contracts and Contractors
Type: Original
Date: January 24, 2011

Bill Summary: This proposal creates the Minority Business Enterprise and Women’s Business Enterprise Oversight Review Committee and establishes plans to increase the participation of certified socially and economically disadvantaged small business concerns, minority business enterprises, and women’s business enterprises in state contracting.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown greater than \$30,000)	(Unknown greater than \$30,000)	(Unknown greater than \$30,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown greater than \$30,000)	(Unknown greater than \$30,000)	(Unknown greater than \$30,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration** assume this proposal could exceed \$1 million if both studies proposed in sections 37.020 and 37.762.2 are implemented. The process to complete the studies can be longer than one year. The expenses for the oversight review committee mentioned could have a fiscal impact. However, the proposal does not specify which agency is responsible for these expenses. Also, the following provisions in Section 37.766 could have an additional fiscal impact:

Notification system requirement, to be implemented by the agencies. If such alert cannot be done by email, the cost could be significant, up to \$20,000 (100 projects estimated at \$200 per project) - this is for FMDC alone.

Notification requirement to potential subcontractors by these parties to contracts. FMDC assumes this applies to all bidders since one of them will become a party to a contract. With an average of 4-5 bidders per project, costs are estimated at up to \$30,000 a year for FMDC alone (100 projects estimated at \$60 per bidder per project).

Creation of a database and maintaining records of notifications. These requirements could result in additional fiscal impact for ITSD.

Oversight recognizes that this proposal does not clearly identify which state funds will be used to conduct the two studies. For the purpose of this fiscal note, Oversight has shown all the costs as being from general revenue.

Officials at the **Department of Corrections (DOC)** assume that it is unknown what procurement rules and regulations might be implemented by the committee and how such implementation may affect DOC fiscally.

Officials at the **Department of Social Services** assume the creation of the committee will not directly impact the Department. However, depending on the recommendations of the committee, to increase minority and women's business enterprise participation in state contracts, there may be an impact on prices. For example, the committee may recommend the minority and women's business enterprises are awarded points in contract evaluations. If these points outweigh pricing points, they could have the impact of driving prices upward. Since the committee is not formed and there are no suggestions or rule changes, the impact of the committee is speculative.

Officials at the **Lincoln University** assume the University currently advertises in two minority

ASSUMPTION (continued)

newspapers in St. Louis and two minority newspapers in Kansas City, even though it is not required by State Statutes, for large construction contracts (over \$100,000) and for larger RFP/prime vendor solicitations. Therefore, our advertising costs are higher because of advertising in additional newspapers. The University usually does not do direct mailing to potential subcontractors for RFP/prime vendor solicitations.

Currently, the University is able to meet its MBE/WBE goals as identified in State Executive Order 05-30 for construction projects. It is not easy to attain these goals being in the mid-Missouri area. As a result, some costs are more expensive in order to reach the goals, whether through suppliers or subcontractors. For non-construction prime vendor contracts, this is also a challenge.

Officials at the **Missouri State University** assume that depending on the nature of the procedures that are established by the committee, enforcement of MBE/WBE contractor requirements could be labor intensive for the institution, thus incurring costs. This could also increase administrative costs and decrease overall product and service value.

Officials at the **Department of Natural Resources** assume each agency would be responsible for implementing the recommendations made by the committee and the Office of Administration. The department would not anticipate a significant fiscal impact from this proposal.

Officials at the **Truman State University** are unable to determine a cost of this proposal.

Officials at the **Department of Public Safety** assume any costs associated with this proposal can be absorbed with existing resources.

Officials at the **Department of Mental Health** assume implementation of additional initiatives, if any, can likely be accomplished with existing staff. Therefore, no fiscal impact is expected.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Budget and Planning, Capitol Police, Department of Agriculture, Department of Economic Development, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Higher Education, Department of Insurance, Financial Institutions and Professional Registration, Department of Labor and Industrial Relations, Division of Fire Safety, Department of Revenue, East**

ASSUMPTION (continued)

Central College, Linn State Technical College, Metropolitan Community College, Missouri Department of Conservation, Missouri Department of Transportation, Missouri Gaming Commission, Missouri Highway Patrol, Missouri Southern State University, Missouri Veterans Commission, Missouri Western State University, Northwest Missouri State University, Office of Prosecution Services, Office of the State Auditor, Office of the State Courts Administrator, Office of the State Public Defender, Office of the State Treasurer, St. Louis Community College, University of Central Missouri and the University of Missouri 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.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Cost</u> - to conduct the two studies	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - agency notification system	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - notify bidders	<u>(Unknown greater than \$30,000)</u>	<u>(Unknown greater than \$30,000)</u>	<u>(Unknown greater than \$30,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown greater than \$30,000)</u>	<u>(Unknown greater than \$30,000)</u>	<u>(Unknown greater than \$30,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Minority and Women’s businesses could be impacted by this proposal.

FISCAL DESCRIPTION

This act requires the Office of Administration to study and to implement a plan to increase and maintain the participation of certified socially and economically disadvantaged small business concerns, minority business enterprises and women business enterprises in contracts for supplies, services, and contracts with the state.

The Minority Business Enterprise and Women's Business Enterprise Oversight Review Committee is created to study and make recommendations relating to the participation of socially and economically disadvantaged minority and women's business enterprises in contracting with the state.

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

Budget and Planning
Capitol Police
Department of Agriculture
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Mental Health
Department of Natural Resources
Department of Public Safety
Department of Revenue
Department of Social Services
Division of Fire Safety
East Central College
Lincoln University
Linn State Technical College
Metropolitan Community College
Missouri Department of Conservation
Missouri Department of Transportation
Missouri Gaming Commission
Missouri Highway Patrol
Missouri Southern State University
Missouri State University
Missouri Veterans Commission
Missouri Western State University
Northwest Missouri State University
Office of Administration
Office of the Attorney General
Office of Prosecution Services
Office of the State Auditor

JH:LR:OD

SOURCES OF INFORMATION (continued)

Office of the State Courts Administrator
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Louis Community College
Truman State University
University of Central Missouri
University of Missouri



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Director
January 24, 2011