

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5725-01
Bill No.: HB 1716
Subject: Cities, Towns and Villages; Taxation and Revenue - Sales and Use; Property, Real and Personal; Utilities
Type: Original
Date: March 27, 2012

Bill Summary: This proposal establishes construction contract bidding standards for political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations, Office of Administration** and **Office of the State Courts Administrator** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their local government.

Officials from the **City of Kansas City (KC)** state that this legislation will impose new direct costs by requiring advertising in newspapers. Currently the City's process utilizes an online system, called Planroom, by which notices about projects and plans required to bid on jobs are made publicly available. The costs of the new requirement cannot be specifically state because it is contingent upon the charges imposed by newspapers, the size of the advertisement/projects and the number of projects. The City does hundreds of projects each year so the costs will be significant.

Additional costs will be incurred by requiring every contract be awarded based on soliciting bids in a certain fashion. The City now has a process approved by Charter that allows contracts without soliciting bids or proposals as long as certain findings are made by the City Council in the ordinance awarding the contract. The proposal will impose new costs to the City and the bidders by eliminating informal bids.

The City also states that the cost savings from using design build processes will be lost because the proposed legislation only authorizes those projects that are authorized by statute.

Additional costs arising from delays will be incurred if bidders use the new procedures to contest bid awards. That courts will be required to determine compliance with the act which will delay the awarding contracts and the commencement of projects. This will result in higher costs when the project begins.

The City also uses informal bidding for smaller contracts. In those instances, staff also have the option to receive faxes. This proposal would prohibit those bids also increasing the costs of contracting and delaying smaller projects.

In summary, because City of Kansas City has a professional and sophisticated process for engaging in construction contracts, the additional requirements and limitations imposed by the proposal will make the construction process more expensive, less efficient and more time consuming. All of these detriments will result in added costs to the City's construction projects.

ASSUMPTION (continued)

Officials from the **Counties of Andrew, Barry, Bates, Boone, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Hickory, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Texas, Warren, and Webster** did not respond to Oversight’s request for fiscal impact.

Officials from the **Cities of Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Kennett, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O’Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains** did not respond to Oversight’s request for fiscal impact.

Oversight assumes this proposal will have a negative unknown fiscal impact on local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - Compliance with new construction bidding standards	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</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 establishes the Political Subdivision Construction Bidding Standards Act which creates standards for advertising, soliciting, awarding, or rejecting competitive bids and awarding construction contracts of \$25,000 or more for political subdivisions that are not covered by a specific federal or state law or an established local construction procurement policy.

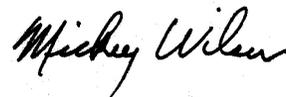
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Department of Transportation
Office of Administration
Office of the State Courts Administrator
County of St. Louis
City of Kansas City

NOT RESPONDING

Department of Transportation
Numerous Cities
Numerous Counties



Mickey Wilson, CPA
Director
March 27, 2012