

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4209-01  
Bill No.: HB 1080  
Subject: Department of Revenue; Contracts and Contractors  
Type: Original  
Date: January 17, 2014

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Bill Summary: This proposal changes the laws regarding competitive bidding in license offices.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	(\$1,070)	(\$23,213)	(\$36,854)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,070)</b>	<b>(\$23,213)</b>	<b>(\$36,854)</b>

\* Majority of the loss of Return-to-State would not occur until FY `18

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Office of Administration - Purchasing and Materials Management Division** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Revenue (DOR)** state based on the total FY '13 return-to-state amount of \$1,194,373.72, there will be an estimated decrease to the General Revenue Fund of approximately \$1,200,000 each year because no extra points will be awarded for bidders who offer a return to state amount when new contracts are issued. Because 90% of license office contracts will be bid before the implementation of this legislation, the majority of the decrease in revenue will not occur until FY '18 when these offices are rebid.

According to current license office contract expiration periods, only five offices will be rebid in FY 2015, seven offices in FY 2016, and six offices in FY 2017. Assuming the winning bidders for these offices would have otherwise committed to the same return-to-state percentage as they did in FY 2014, if the provisions were not eliminated (which may or may not be the case), these offices would otherwise have returned an estimated \$1,070 in FY 2015, \$23,213 in FY 2016 and \$36,854 in FY 2017.

ASSUMPTION (continued)

**Oversight** assumes the majority of the decrease in revenue will not occur until FY `18 but will not reflect this loss because it is outside of the scope of the fiscal note. Oversight will reflect the decrease in revenue for FY `15, FY `16 and FY `17.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Loss- DOR</u>			
Return-to-State*	<u>(\$1,070)</u>	<u>(\$23,213)</u>	<u>(\$36,854)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>(\$1,070)</u></b>	<b><u>(\$23,213)</u></b>	<b><u>(\$36,854)</u></b>

\* Majority of the loss of Return-to-State would not occur until FY `18

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business licensing offices would be expected to be impacted as a result of this proposal.

FISCAL DESCRIPTION

This proposal prohibits the Commissioner of the Office of Administration from awarding points to a bidder for a contract license office that proposes a return-to-the-state provision offer. The proposal also requires the Director of the Department of Revenue to follow the bidding procedures provided by law and establish the rules necessary to implement those procedures.

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

Office of Administration  
Department of Revenue  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Mickey Wilson, CPA  
Director  
January 17, 2014

Ross Strobe  
Assistant Director  
January 17, 2014