

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6000-01  
Bill No.: HB 2051  
Subject: Office of Administration; State Departments  
Type: Original  
Date: March 25, 2014

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Bill Summary: This proposal modifies provisions relating to competitive bidding for state purchases.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$69,159)	(\$80,690)	(\$84,494)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$69,159)</b>	<b>(\$80,690)</b>	<b>(\$84,494)</b>

<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 8 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>
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</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 at the **Office of Administration's Division of Purchasing and Materials Management (DPMM)** assume this proposal requires all single feasible source purchases in excess of \$10,000 be adjusted for inflation. If they have to adjust for inflation on an annual basis, a Buyer IV position is needed to research, calculate and determine the new bidding threshold. Also, this position will be required to update all related documents such as policies and procedures, text file ranges, and DPMM web pages to reflect the new bid threshold.

Officials at the **Department of Corrections (DOC)** assume during FY 2013 there were 50 contracts between the amounts of \$25,000 and \$100,000 that OA-Division of Purchasing (DP) processed for the DOC. If the delegation were raised to \$100,000, these contracts would be processed by the DOC purchasing section. Also during FY 2013, there were 23 contracts that the DOC purchasing section processed that were between \$3,000 and \$10,000. If the bid threshold were raised to \$10,000, these would become local purchases and bids/contracts would not be necessary. That is assuming that DOC policy is revised to reflect the new threshold. The delegation of authority issued by OA-DP allows the DOC to set more restrictive procedures. If DOC policy were to require bids at an amount lower than the statutory threshold, the reduction in the number of small bids/contracts would be less.

Because each project is unique, it is impossible to predict the exact impact on staff time. It can be generalized that the larger projects (\$25,000 to \$100,000) are more complicated and therefore require more staff time than the smaller projects(\$3,000 to \$10,000.) Larger projects are generally more technical in scope, requiring more research time in preparing a bid, more detailed review in the evaluation process, and in some cases a subjective evaluation. Based on the information above, it is believed the fiscal impact on the DOC from this proposed legislation would be significant, potentially requiring additional staff, but the amount is unknown per each fiscal year.

Officials at the **Department of Revenue** assume that currently state agencies must competitively bid products or services costing between \$3,000 and \$24,999. The Office of Administration's Division of Purchasing and Materials Management (OA DPMM) is responsible for competitively bidding products or services costing \$25,000 or more. The proposed legislation raises the competitive bidding thresholds for state agencies to \$10,000 and OA DPMM's to \$100,000.

Under the proposed legislation, and if OA requires agencies to bid goods and services between \$10,000 and \$100,000, the Department would be responsible for approximately 10 bids and contract management that is currently handled by DPMM. The Administration Division would

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ASSUMPTION (continued)

need an additional FTE (Procurement Officer I) and the associated expense and equipment costs to administer the additional contracts.

Officials at the **Department of Natural Resources** assume the resources devoted partly to competitive bids would experience some insignificant time savings from increasing the threshold to ten thousand dollars, which would be offset by the new responsibility for taking on the bids for purchases between \$25,000 and \$100,000. Therefore, the department would not anticipate a fiscal impact as a result of the proposed legislation.

Officials at the **Department of Elementary and Secondary Education** assume this proposal would result in additional duties for staff; however, we do not expect them to be significant.

Officials at the **Department of Agriculture**, the **Department of Conservation**, the **Department of Economic Development**, the **Department of Public Safety**, the **Department of Public Safety's Capitol Police**, the **Department of Public Safety's Division of Fire Safety**, the **Department of Public Safety's Division of Alcohol and Tobacco Control**, the **Missouri Department of Transportation**, the **Missouri Gaming Commission**, the **Missouri Highway Patrol**, the **Missouri National Guard**, the **Missouri Veterans Commission**, the **Office of Prosecution Services**, the **Office of State Courts Administrator**, the **Office of the State Auditor**, the **Office of the State Public Defender**, the **Office of State Treasurer** and the **State Emergency Management Agency** each assume there is no fiscal impact to their respective organizations from this proposal.

Officials at the **Department of Health and Senior Services**, the **Department of Higher Education**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health** and the **Department of Social Services** each defers to Office of Administration's Division of Purchasing and Material Management for fiscal impact.

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

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

ASSUMPTION (continued)

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.

**Oversight** assumes that raising the purchasing limits from \$3,000 to \$10,000 would not fiscally impact the state agencies as agencies currently bid projects up to \$24,999. Oversight assumes that raising the purchasing limit from \$25,000 to \$100,000 would require some projects currently handled by DPMM to be handled by the state agencies. Oversight assumes that the agencies can absorb these projects with existing resources; however, should the number of projects significantly increase an agency's workload they could request additional resources through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Cost - Office of Administration</u>			
Personal Service	(\$43,900)	(\$53,207)	(\$53,739)
Fringe Benefits	(\$22,391)	(\$27,138)	(\$27,410)
Equipment and Expenses	<u>(\$2,868)</u>	<u>(\$345)</u>	<u>(\$345)</u>
<u>Total Cost - OA</u>	<u>(\$69,159)</u>	<u>(\$80,690)</u>	<u>(\$84,494)</u>
FTE Change - OA	1 FTE	1 FTE	1 FTE
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>			
	<b><u>(\$69,159)</u></b>	<b><u>(\$80,690)</u></b>	<b><u>(\$84,494)</u></b>
 Estimated Net FTE Change on General Revenue			
	1 FTE	1 FTE	1 FTE

<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 businesses may be impacted this proposal.

FISCAL DESCRIPTION

This bill changes the laws regarding state purchases. Currently, all state purchases in excess of \$3,000 must be based on competitive bids with specified exceptions. The bill requires all purchases in excess of \$10,000, adjusted for inflation based on the dollar's value in 2013, to be based on competitive bids with specified exceptions.

Currently, any purchase where the estimated expenditure will be \$25,000 or more is subject to specified requirements with certain exceptions. The bill requires any purchase where the estimated expenditure will be \$100,000 or more, adjusted for inflation based on the dollar's value in 2013, to be subject to the specified requirements with certain exceptions. Currently, when the Commissioner of Administration within the Office of Administration determines that the use of competitive bidding is not practicable or not advantageous to the state, a purchase in excess of \$5,000 must be based on competitive proposals. The bill specifies that all purchases of \$10,000, adjusted for inflation based on the dollar's value in 2013, must be based on competitive proposals if the commissioner determines that the use of competitive bidding is not practicable or not advantageous.

Currently, any purchase where the estimated expenditure will be \$25,000 or over, the commissioner must follow specified requirements. The bill specifies that the commission must follow the specified requirements on any purchase where the estimated expenditure will be \$100,000 or over, adjusted for inflation based on the dollar's value in 2013.

Currently, the commissioner must post notice of the proposed purchase of any single feasible source purchase where the estimated expenditure will be \$5,000 or more. Where the estimated expenditure is 25,000 or more, the commissioner must also advertise the intent in at least two daily newspapers of general circulation as specified. The bill requires the commissioner to post the notice on any single feasible source purchase where the estimated expenditure will be \$10,000 or over, adjusted for inflation based on the dollar's value in 2013, and to advertise the intent in the newspapers where the estimated expenditure is \$100,000 or over, adjusted for inflation based on the dollar's value in 2013.

FISCAL DESCRIPTION (continued)

Currently, a department has the authority to purchase specified products and services related in information technology for expenditures of less than \$25,000 and the department posts notice of the proposed purchase on the on-line bidding/vendor registration system. The bill specifies that this applies for expenditures of less than \$100,000, adjusted for inflation based on the dollar's value in 2013.

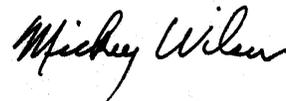
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture  
Department of Conservation  
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  
    Capitol Police  
    Division of Fire Safety  
    Division of Alcohol and Tobacco Control  
Department of Revenue  
Department of Social Services  
Missouri Department of Transportation  
Missouri Gaming Commission  
Missouri Highway Patrol  
Missouri National Guard  
Missouri Veterans Commission  
Office of Administration  
    Division of Purchasing and Materials Management  
Office of the Secretary of State  
Office of Attorney General  
Office of Prosecution Services

SOURCES OF INFORMATION (continued)

Office of State Courts Administrator  
Office of the State Auditor  
Office of the State Public Defender  
Office of State Treasurer  
State Emergency Management Agency



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Director  
March 25, 2014

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