

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4167-05  
BILL NO.: Perfected HS for HB 1728  
SUBJECT: Contracts and Contractors  
TYPE: Original  
DATE: April 25, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$126,177)	(\$143,365)	(\$146,738)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$126,177)</b>	<b>(\$143,365)</b>	<b>(\$146,738)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses  
This fiscal note contains 7 pages.

---

**FISCAL ANALYSIS**

ASSUMPTION

**Minority Business Participation:**

Officials from the **Office of Administration - Division of Purchasing and Materials Management (DPM)** assume the DPM currently has 113 contracts with MBE/WBEs participating as subcontractors. These contracts require the prime contractor to submit monthly participation reports of payments made to their MBE/WBE subcontractors. To effectively audit the MBE/WBE participation reports, the DPM would require one additional Auditor II (1 FTE at \$34,308 per year) and related expense and equipment costs. Auditing the participation reports may also require travel to the prime contractors or subcontractors' locations to verify the accuracy of the reports.

**Purchase Of Products Produced By Workshops And Home Industry Projects For The Blind Or Other Handicapped Persons:**

Officials from the **Office of Administration - Division of Purchasing and Materials Management** assume this proposal would require one Buyer III position (1 FTE at \$37,260 per year) to perform research and analysis necessary for the Commissioner of Administration to determine fair market prices and establish minimum specifications for products/services provided by qualified organizations for the blind, sheltered workshops and Missouri Bureau of the Blind projects. The Buyer would review the list of products/services submitted by the Division of Family Services (DFS) and determine if they met minimum specifications required by state agencies. This would involve a detailed analysis of the qualities of each product/service and comparison to state agencies' needs. The Buyer III would also conduct ongoing market analysis for each product/service to determine a fair market price.

Officials from the **Department of Social Services (DOS)** assume there would be costs associated with the implementation of this act for collection of data about the products and services available from the blind assistance facilities and the publication and distribution of the lists of these products. One Clerk IV (1 FTE at \$17,764 per year) is assumed to be needed for this activity and publication and distribution of the lists is assumed to be \$10,000. Since the Division does not have specific data on the total number of products and services or the total number of sheltered workshops and other blind assistance facilities, this should be viewed as a

ASSUMPTION (continued)

minimal estimate. No estimate is made for publication fees which may be charged, since the fee is permissive and they would be deposited to the State Treasurer and would not directly offset any costs. **Oversight** assumes the additional FTE would be located in existing facilities and has not included rental costs in the fiscal impact specifications below.

Officials from the **Office of the State Auditor (SAU)** assume the proposed legislation would create additional workload. The SAU noted that considering the burden placed on its office by existing law to perform similar examinations upon request, it appears the SAU could perform this requirement with existing staff/funding; however, if the number of requests became burdensome, additional staff/funding would need to be requested.

Officials from the **Department of Elementary and Secondary Education (DES)** assume the proposed legislation would have no fiscal impact on the DES. However, the DES assumes it could result in a potential revenue increase for local sheltered workshops.

**Late Payment To Vendors:**

Officials from the **Department of Insurance (INS), Office of the State Auditor (SAU), Office of the Attorney General (AGO), Department of Economic Development (DED), Office of Administration - Division of Accounting (COA), Department of Higher Education (CBH), Department of Mental Health (DMH), Department of Elementary and Secondary Education (DES), Office of State Courts Administrator (CTS), Department of Transportation (DHT), Department of Public Safety - Division of Fire Safety (DFS), Department of Public Safety - Water Patrol, Department of Public Safety - Division of Highway Safety (DHS)** and the **Department of Public Safety - Division of Liquor Control** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Health (DOH)** and the **Department of Public Safety (DPS)** assume this proposal could result in a fiscal impact on their agencies, but cannot determine the extent of fiscal impact. This is related to problems with the new statewide accounting system that was implemented this fiscal year. However, it is anticipated the new system will ultimately allow bills to be processed in a more timely fashion.

Officials from the **Department of Revenue (DOR)** assume the proposed legislation would result in a possible \$0 fiscal impact to a slightly negative unknown. The DOR assumes it pays bills on time; however, it is possible one could be missed.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** assume this proposal allows vendors to assess a late payment penalty against the state for supplies and services for which the state has not made payment. The department assumes that payment to vendors will be timely as outlined in this bill and therefore, does not anticipate a fiscal impact from this proposal.

Officials from the **Missouri Department of Conservation (MDC)** and the **Department of Agriculture (AGR)** assume the proposed legislation could have fiscal impact on their agencies, but the amount is unknown.

Officials from the **Department of Social Services (DOS)** assume the actual cost of this legislation is unknown. In prior years, the DOS has averaged well under the 30 day turnaround on paying invoices and in the coming year, it expects to return to an average which would not be subject to late charges. In the first eight months of FY 00, DSS paid only \$373 in late charges. To annualize those charges and increase it to reflect the higher rate would imply a \$1,400 cost. However, increasing the late charge rate would certainly increase these charges, but it is unknown as to how many would claim the charge and it is uncertain on what date the interest would begin to accrue and it is unknown how many of the payments would be late. For example, if it is assumed 10% of the vendors who have potential claims would actually make claims under the new law and assume 50% of DSS purchases are more than 45 days in arrears, the costs of the proposal could result in \$166,000 in late charges (\$167.6 m total annual purchases x 50% in arrears over 30 days = \$83.8 m late payments; \$83.8 m x 10% vendors claiming late charge = \$8.3 m purchases claimed late; \$8.3 m x 2% late charge = \$166,000).

Officials from the **Office of Prosecution Services (OPS)** and the **Department of Corrections (DOC)** did not respond to our fiscal note request.

**Oversight** assumes state agencies would comply with the requirements in this proposal and therefore, no fiscal impact would result. However, if noncompliance resulted, any penalties due would be absorbed within that agency's existing resources. Additionally, **Oversight** assumes problems associated with late payment of invoices that could be attributed to the new statewide accounting system should decrease and issues should be resolved, since the new system will have been in place more than a year upon the effective date of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Costs - Office of Administration (COA)</u>			
Personal Service (1 FTE)	(\$29,305)	(\$36,045)	(\$36,946)
Fringe Benefits	(9,011)	(11,084)	(11,361)
Expense and Equipment	(7,800)	(5,031)	(5,181)
Total <u>Costs</u> - COA	(\$46,116)	(\$52,160)	(\$53,488)
<u>Costs - Office of Administration (COA)</u>			
Personal Service (1 FTE)	(\$31,826)	(\$39,146)	(\$40,125)
Fringe Benefits	(9,786)	(12,037)	(12,338)
Expense and Equipment	(3,980)	(309)	(318)
Total <u>Costs</u> - COA	(\$45,592)	(\$51,492)	(\$52,781)
<u>Costs - Department of Social Services (DOS)</u>			
Personal Service (1 FTE)	(\$15,194)	(\$20,765)	(\$21,284)
Fringe Benefits	(4,672)	(6,385)	(6,545)
Expense and Equipment	(14,603)	(12,563)	(12,640)
Total <u>Costs</u> - DOS	(\$34,469)	(\$39,713)	(\$40,469)
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>(\$126,177)</u></b>	<b><u>(\$143,365)</u></b>	<b><u>(\$146,738)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses if they provide the same types of products or services provided by qualified nonprofit organizations for the blind, sheltered workshops or Missouri Bureau of the Blind projects. State agencies would be required to purchase these products/services from the above organizations and school districts would be required to purchase the products only (not services).

L.R. NO. 4167-05  
BILL NO. HS for HB 1728  
PAGE 6 OF 7  
April 25, 2000

FISCAL IMPACT - Small Business (continued)

The component of the proposal relating to late payment to vendors would be expected to have no direct fiscal impact to small businesses. However, if certain agencies did not comply, there could be an increase in revenues due to penalties and interest that may be imposed on late vendor payments.

DESCRIPTION

This bill requires the Commissioner of the Office of Administration and all state agencies to purchase certain materials, supplies, and services that are produced by workshops and home industry projects for the blind or other handicapped persons. School districts are also required to purchase these products but are not required to purchase services. The products must be purchased from a list supplied to the Office of Administration by the Division of Family Services with the advice of the Bureau of the Blind. If a blind assistance facility is unable to meet delivery of a product, a waiver must be issued by the Division of Family Services. The commissioner must determine the fair market price of the products offered on the list. All products must meet specifications required by the commissioner and the product list must be updated periodically.

The Division of Family Services may charge a reasonable publication fee to those blind assistance facilities which advertise their products or services on the product list.

The bill also deletes current language regarding state purchasing preferences to qualified nonprofit organizations for the blind and certified sheltered workshops.

This bill requires the state to pay a late payment penalty to vendors for supplies and services which the state has not made payment on. After 30 days following the later of the date of delivery of the supplies and services or the date upon which the invoice is approved and processed, a penalty of 2% of the amount due the vendor must be paid for every 30-day period thereafter in which the vendor is not paid. The penalty may not exceed 18% in one year.

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

This proposal would not affect Total State Revenues.

MLW:LR:OD:005 (9-94)

L.R. NO. 4167-05  
BILL NO. HS for HB 1728  
PAGE 7 OF 7  
April 25, 2000

SOURCES OF INFORMATION

Office of Administration - Division of Purchasing and Materials Management  
Department of Social Services  
Office of the State Auditor  
Department of Elementary and Secondary Education  
Department of Insurance  
Office of the Attorney General  
Department of Economic Development  
Office of Administration - Division of Accounting  
Department of Higher Education  
Department of Mental Health  
Office of State Courts Administrator  
Department of Transportation  
Department of Public Safety - Division of Fire Safety  
Department of Public Safety - Water Patrol  
Department of Public Safety - Division of Highway Safety  
Department of Public Safety - Division of Liquor Control  
Department of Health  
Department of Public Safety  
Department of Revenue  
Department of Natural Resources  
Missouri Department of Conservation  
Department of Agriculture

NOT RESPONDING: Office of Prosecution Services, Department of Corrections



Jeanne Jarrett, CPA  
Director  
April 25, 2000