

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0851-02
Bill No.: HCS for SB 173
Subject: Elementary and Secondary Education Dept: Disabilities
Administration, Office of: Charities; Contracts and Contractors
Type: Original
Date: April 22, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0	(\$2,447,310)	(\$5,247,968)
Total Estimated Net Effect on General Revenue Fund*	\$0	(\$2,447,310)	(\$5,247,968)

***Subject to appropriation**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Sheltered Workshop Per Diem Revolving Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*** Transfers In and Out of this fund are \$2,447,310 in FY 2007 and \$5,247,968 in FY 2008**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown)	\$2,447,310* to (Unknown)	\$5,247,968* to (Unknown)

***Subject to appropriation**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - Family Support Division, Department of Conservation, Office of State Auditor, Office of Administration - Division of Facilities Management, Design and Construction,** and the **Office of State Treasurer** assume there would be no fiscal impact to their respective agencies.

SECTION 34.165

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Office of Administration could require as many as 6 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$246 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration, Division of Purchasing and Materials Management** (DPMM), assume this proposal would require DPMM to revised current bid language to inform bidders of the bonus preference for qualified nonprofit organizations for the blind. Also, DPMM would create bid language to require an affidavit by the director or manager and board president of a participating nonprofit organization for the purchasing agency.

The increase in bonus points could skew the evaluation based on the bonus points and not on the proposal's merits, and could cause the contract award to go to other than the lowest and best proposal. DPMM did not provide an estimate of the fiscal impact of the proposal.

Officials from the **Department of Mental Health** assume there could be a fiscal impact but it is impossible to determine. The proposal would allow for 25% of the points to be given as a preference to those qualified nonprofit organizations. Under current statute in Chapter 34, awards are determined by the lowest and best. This proposed legislation could result in nonawards to the lowest and best, and therefore could potentially increase the fiscal cost to the state.

Officials from the **Department of Transportation** (MODOT) assume this proposal would revise the preference to be given in the state bidding process. MODOT may experience higher prices for some products and services that are competitively bid by the Office of Administration, however these increases would be absorbed by the department.

Officials from the **Department of Social Services, Division of Budget and Finance**, assume this proposal would provide a 25 point bidding preference to qualified non-profit organizations for the blind when these organizations submit bids for state contracts. This advantage could possibly impact the Department by increased expenditures as a result of awarding a contract other than the lowest bid. The actual fiscal impact would be minimal and any additional costs could be absorbed through existing funds.

Oversight assumes this proposal could have an unknown negative impact on state funds and on local governments. Oversight is not able to estimate the number of organizations which might qualify for this bidding preference or the number and amount of contracts they might be awarded

ASSUMPTION (continued)

as a result of this bid preference. However, because this proposal would not require an increase in the budget or appropriations for any state fund, Oversight has not shown any fiscal impact to state funds.

SECTION 178.390

Officials from the **Department of Elementary and Secondary Education (DESE)** stated this proposal would have no fiscal impact on their agency; however DESE provided the following assumptions regarding the proposal:

DESE assumes the number of workshop employees over the last three fiscal years as follows:

<u>Fiscal Year</u>	<u>Workshop Employees</u>
2002	5,633
2003	5,572
<u>2004</u>	<u>5,531</u>
Total	16,736
Average	5,579

The average of the three fiscal years is used to compute the increase in workshop payments per the schedule below:

<u>FY</u>	<u>Days</u>	<u>State Aid</u>	<u>Ave FTE</u>	<u>Projected Cost</u>	<u>Current Budget</u>	<u>Increase</u>
2007	251	\$15	5579	\$21,004,935	\$18,557,625	\$2,447,310
2008	251	\$17	5579	\$23,805,593	\$18,557,625	\$5,247,968
2009	251	\$18	5579	\$25,205,922	\$18,557,625	\$6,648,297

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Cost - Disbursement to Sheltered Workshop Per Diem Revolving Fund*</u>	\$0	(\$2,447,310)	(\$5,247,968)
ESTIMATED NET EFFECT TO GENERAL REVENUE*	<u>\$0</u>	<u>(\$2,447,310)</u>	<u>(\$5,247,968)</u>
SHELTERED WORKSHOP PER DIEM REVOLVING FUND			
<u>Transfer In - General Revenue</u>	\$0	\$2,447,310	\$5,247,968
<u>Transfer Out - Sheltered Workshops</u>	\$0	(\$2,447,310)	(\$5,247,968)
ESTIMATED NET EFFECT ON SHELTERED WORKSHOP PER DIEM REVOLVING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
*Subject to appropriation			
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
SHELTERED WORKSHOP			
<u>Income - Increased per diem payments*</u>	\$0	<u>\$2,447,130</u>	<u>\$5,247,968</u>
NET EFFECT ON SHELTERED WORKSHOPS*	<u>\$0</u>	<u>\$2,447,130</u>	<u>\$5,247,968</u>
* Subject to Appropriation			
LOCAL GOVERNMENTS			
Increased costs - products and services	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses by increasing the preference given to qualified nonprofit organizations in bidding on state purchases.

DESCRIPTION

SECTION 34.165

This proposal also provides that in making purchases for this state, the Commissioner of Administration shall give a bidding preference consisting of a twenty-five point bonus on bids for products and services produced or assembled in qualified nonprofit organizations for the blind and in sheltered workshops approved by the Department of Secondary and Elementary Education, if the work generates in excess of five thousand dollars in annual revenue for the participating nonprofit organization. Current law bases it on a five-point bonus on bids.

An affidavit signed by the director or manager and the board president of a participating nonprofit organization shall be provided to the purchasing agency by the contractor at the completion of the contract or within thirty days of the first anniversary of the contract, whichever comes first, verifying compliance.

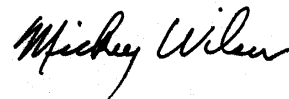
SECTION 178.930

This proposal creates a graduated increase in payments to sheltered workshops. Currently, the workshops are reimbursed at a rate of thirteen dollars multiplied by the number of six-hour or longer days worked by handicapped workers. This proposal increases this payment so that in fiscal year 2007, the workshops will be reimbursed at a rate of fifteen dollars multiplied by the number of six-hour or longer days worked by handicapped workers; in fiscal year 2008, the amount is seventeen dollars; and, beginning July 1, 2008 (fiscal year 2009) and thereafter, the workshops are reimbursed at a rate of eighteen dollars multiplied by the number of six-hour or longer days worked by handicapped workers.

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 Elementary and Secondary Education
Office of State Treasurer
Office of State Auditor
Office of Administration
 Division of Facilities Management, Design and Construction
 Division of Purchasing and Materials Management
Department of Conservation
Department of Transportation
Department of Mental Health
Office of Secretary of State
 Administrative Rules Division



Mickey Wilson, CPA
Director
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