

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3234-02
Bill No.: SB 597
Subject: Administration, Office of; Contracts and Contractors
Type: Original
Date: February 4, 2010

Bill Summary: Requires 10% of state contracts to be awarded to businesses with less than 25 employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Total Estimated Net Effect on General Revenue Fund	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
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 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	1	1	1
Total Estimated Net Effect on FTE	1	1	1

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 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal would have an unknown impact on MDC funds. The MDC notes that it awards more than \$1 million in contracts annually; the proposed legislation would have an impact on 10% of this amount. There is no way to determine whether the impact would be positive or negative.

Officials from the **Office of Administration (COA) - Division of Purchasing and Materials Management (DPMM)** state the proposal would require one new full-time position to track contracts awarded by DPMM and other state agencies to ensure the ten percent small business preference is being achieved. DPMM estimates FY 11 costs of \$49,051; FY 12 costs of \$58,470; and FY 13 costs of \$60,225.

In meeting this contract award preference, it could cause state contracts to be awarded in lieu of consideration of other evaluation criteria such as cost, prior experience, and proposed method of performance. There is no way to determine the potential fiscal impact of this proposal.

Oversight assumes the fiscal impact of this proposal on the cost of state contracts is unknown. At the present time, there is no way to determine whether the impact of awarding ten percent of state contracts to small businesses would be more or less expensive than what is currently being spent on state contracts.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Costs - COA</u>			
Personal service (1.0 FTE)	(\$30,859)	(\$38,141)	(\$39,286)
Fringe benefits	(\$16,182)	(\$20,001)	(\$20,602)
Equipment and expense	<u>(\$2,010)</u>	<u>(\$328)</u>	<u>(\$337)</u>
Total Costs - COA	<u>(\$49,051)</u>	<u>(\$58,470)</u>	<u>(\$60,225)</u>
FTE Change - COA	1.0 FTE	1.0 FTE	1.0 FTE
<u>Costs - COA</u>			
Change in costs due to 10% contracting with small businesses	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
Estimated Net FTE Change for General Revenue Fund	1.0 FTE	1.0 FTE	1.0 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a significant positive impact on small businesses if they are awarded more state contracts.

FISCAL DESCRIPTION

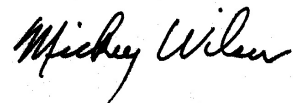
The Office of Administration shall award at least 10% of all state contracts throughout the year to small businesses employing less than 25 employees. There shall be at least two such businesses bidding for the contract and existing competitive bidding requirements shall apply with respect to those businesses.

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

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SOURCES OF INFORMATION

Office of Administration -
 Division of Purchasing and Materials Management
Missouri Department of Transportation
Missouri Department of Conservation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
February 4, 2010