

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2104-01
Bill No.: SB 557
Subject: State Attorney General; Contracts and Contractors; Appropriations; State
Departments
Type: Original
Date: April 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$52,312)	(\$55,477)	(\$56,890)
Total Estimated Net Effect on <u>All</u> State Funds	(\$52,312)	(\$55,477)	(\$56,890)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education, Missouri Senate, Office of the Governor, Department of Public Safety – Division of Liquor Control, – Veterans’ Commission, Office of the State Auditor, Missouri House of Representatives, Office of Administration – Division of Design and Construction, – Division of Budget and Planning, Office of State Courts Administrator, State Tax Commission, Department of Labor and Industrial Relations, Office of the State Treasurer, Department of Insurance, Department of Revenue, Missouri Gaming Commission, and the Office of the Lieutenant Governor** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Agriculture (AGR)** assume the contract for the Department’s AgriMissouri advertising agency will have to be reviewed by the Attorney General’s Office. AGR assumes the proposal will have no fiscal impact on their agency.

Officials from the **Department of Elementary and Secondary Education (DES)** assume DES has a minimal number of contracts that would be affected by this proposal. DES does not anticipate a fiscal impact as a result of the proposal, just the time-delay while waiting for the Attorney General’s review.

Officials from the **Department of Public Safety – Director’s Office** assume the Attorney General would be required to review contracts in excess of \$100,000. This would impact the time line for getting contracts awarded. This would be detrimental, especially if the product or service is needed quickly. **Oversight** assumes the proposal would have no fiscal impact on Department of Public Safety – Director’s Office.

Officials from the **Department of Health (DOH)** assume the proposal would not be expected to significantly impact the operations of the DOH. If the proposal were to substantially impact the DOH programs, then the DOH would request funding through the appropriations process.

Officials from the **Department of Mental Health (DMH)** stated the legislation appears to be directed toward the Department of Economic Development and the Department of Transportation. However, the language is broad enough to be interpreted that all contracts and/or written agreements entered into by DMH would first have to be approved by the Office of Attorney General. DMH assumes there would be no fiscal impact to their agency. However, DMH’s processing time would be adversely affected and some of the department’s contracts could be unapproved.

Officials from the **Department of Conservation (MDC)** assume the proposed legislation has no
ASSUMPTION (continued)

apparent fiscal impact to MDC; however, the legislation may impinge on Commission authority.

Officials from the **Office of Administration – Division of Purchasing and Materials Management (DPMM)** award numerous contracts with a value in excess of \$100,000. While the legislation targets contracts for MoDOT and the Department of Economic Development and the areas of tax credits and industrial development, it is not limited to these specific contracts. Under this proposed legislation, the Attorney General's Office would be required to review state agency contracts (and amendments to contracts) in excess of \$100,000. This proposal would require additional administrative efforts by DPMM to track and monitor the status of contracts sent to the Attorney General's Office for review. However, DPMM assumes the proposal would have no fiscal impact on their agency.

Officials from the **Office of the Secretary of State** assume 1 FTE Clerk Typist III (\$20,916), and related equipment and expenses, would be required in the Fiscal Office to forward and track all contracts sent to the Attorney General's Office for review prior to issuance. This estimate is based on the daily volume of purchase order documents (contracts) and grant agreements which route through this office. **Oversight** assumes the costs associated with this proposal could be assumed by the agency.

Officials from the **Department of Natural Resources (DNR)**, assume there would be no direct fiscal impact to the department. However, this bill would cause delays in the process of entering into contracts, written agreements or letters of intent for payment reductions to allow review time for the Office of Attorney General.

Officials from the **Department of Transportation (DHT)** assume copying, logging out, logging in, and filing both contracts and transmittal documents for hundreds of contracts will result in delays and expenses. DHT cannot provide a cost estimate of this portion of the fiscal impact on their agency. DHT also assumes that handling the enormous amount of paper flow will create a need for one FTE Clerk (\$26,148), and related equipment and expenses. **Oversight** assumes the costs associated with this proposal could be assumed by the agency.

Officials from the **Department of Social Services (DOS)** assume this legislation only requires review of limited types of contracts falling into the areas identified and does not require a review of all contracts of DOS, regardless of the subject matter. DOS believes that the drafter's intent is better reflected if the proposal could be changed to read in part as follows: "Any state contracts, agreements, or letters of intent relating to economic development, including, but not limited to, those involving tax credits pursuant to Chapter 135, RSMo, industrial development pursuant to Chapter 100, RSMo, urban development pursuant to Chapter 620, RSMo, shall be forwarded to the Attorney General for review and approval prior to finalization."

ASSUMPTION (continued)

If the broad interpretation is determined to apply, DOS assumes contracts will need to be copied, forwarded to the Attorney General's Office, tracked to determine if they are approved, modified if deemed unacceptable, vendors and contractors contacted, and other duties. In addition, DOS assumes the accounts payable would need to add a check for compliance with this law to the processing. Although difficult to estimate the added hours of work and FTE needed throughout the DOS to implement this interpretation of the proposal, DOS estimates costs under this broader interpretation would be unknown, but greater than \$100,000.

As DOS assumes the intent of the proposed legislation is to require review of only those types of contracts and agreements falling into the subject areas specified and not to all contracts. Therefore, DOS assumes the proposed legislation would have no fiscal impact on their agency.

In response to a similar proposal in the prior session of the legislature, officials from the **Department of Economic Development** indicated that in order to provide the best service possible to Missouri businesses, DED would have to design and implement a system to ensure that the documents subject to review by the AGO would be executed with minimum delays. As the AGO is not electronically compatible with DED, officials of DED assume a tracking unit and system support to track when a document was sent and returned would need to be created. This unit would be comprised of an Attorney, Executive II, Computer Information Tech II, 2 Clerk

Typists II, and 6 Executives I. Computer equipment and support would be required. DED assumes this unit would answer to the DED Division of Administration. The unit would assist all 13 divisions of the DED with getting contracts through the new approval process. DED assumes there would be a minimum of 3,171 agreements that would need to be sent to the AGO for review. This number does not include contracts and agreements that are already reviewed by AGO staff. DED further assumes the need for expense and equipment associated with the 11 new FTE.

Oversight assumes the proposed legislation does not mandate an electronic system for the additional step required in the approval process of contracts involving DED. Accordingly, staff and other expenditures estimated by DED are not included in the fiscal impact for this proposal.

Officials from the **Office of the Attorney General (AGO)** assume the proposed legislation would create the need for an additional Assistant Attorney General II. AGO estimated the salaries, fringe benefits, and expense and equipment to be \$59,082, \$62,120, and \$63,733 for fiscal years 2002, 2003, and 2004, respectively. **Oversight** has reduced these estimated costs in accordance with Office of Administration Budget guidelines, and assumed that one additional employee can be located in existing office space.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost - Office of Attorney General</u>			
Personal Service	(\$30,625)	(\$37,669)	(\$38,610)
Fringe Benefits	(\$10,207)	(\$12,555)	(\$12,869)
Expense and Equipment	<u>(\$11,480)</u>	<u>(\$5,253)</u>	<u>(\$5,411)</u>
Total	<u>(\$52,312)</u>	<u>(\$55,477)</u>	<u>(\$56,890)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$52,312)</u>	<u>(\$55,477)</u>	<u>(\$56,890)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2002 (10 Mo.)	 FY 2003	 FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal mandates review of state contracts in excess of \$100,000 by the Attorney General prior to finalization. Documents subject to this review include but are not limited to contracts, written agreement, and letters of intent that relate to certain tax credits, industrial development, urban redevelopment, and certain contracts with the Department of Economic Development or the State Transportation Department. The Attorney General has 10 days to review and approve or reject the contract. If rejected, the Attorney General is required to provide a written basis for the rejection. If the Attorney General does not approve or reject the contract within ten days, the contract would be deemed approved.

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 Higher Education
 Missouri Senate

SOURCES OF INFORMATION (continued)

BLG:LR:OD (12/00)

Office of the Governor
Department of Public Safety
 Division of Liquor Control
 Veterans' Commission
 Director's Office
Office of the State Auditor
Missouri House of Representatives
Office of Administration
 Division of Design and Construction
 Division of Budget and Planning
 Division of Purchasing and Materials Management
Office of State Courts Administrator
State Tax Commission
Department of Labor and Industrial Relations
Office of the State Treasurer
Department of Insurance
Department of Revenue
Office of the Lieutenant Governor
Department of Agriculture
Department of Elementary and Secondary Education
Department of Health
Department of Mental Health
Department of Conservation
Office of the Secretary of State
Department of Natural Resources
Department of Transportation
Department of Economic Development
Office of the Attorney General
Missouri Gaming Commission
Department of Social Services

NOT RESPONDING

Missouri Lottery Commission

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
April 2, 2001