

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3466-01
Bill No.: SB 833
Subject: Department of Economic Development; Department of Social Services; State Attorney General; Contracts and Contractors
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue Fund	(\$42,801)	(\$41,845)	(\$42,898)
Total Estimated Net Effect on <u>All</u> State Funds	(\$42,801)	(\$41,845)	(\$42,898)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Attorney General (AGO)** assume the proposed legislation would create the need for ½ FTE Assistant Attorney General II. AGO estimated the salaries and fringe benefits to be \$20,416; \$25,112; and \$25,740 for fiscal years 2004, 2004, and 2005, respectively. **Oversight** has adjusted these estimated costs to reflect a fringe benefit rate of 36.01%.

Officials from the **Department of Economic Development (DED)** assume they would need for .5 of an Attorney (at \$50,928 per year), 1 Executive II (at \$36,012 per year), 1 Clerk Typist II (at \$20,472 per year), and 1 Executive I (at \$30,204 per year), plus associated fringe benefits, equipment and expenses to administer this proposal. The DED assumes there would be around 1000 documents that would have to be reviewed by the Attorney General. These employees would coordinate the review process for all 13 divisions of DED. The needs listed here could increase or decrease, depending on whether an automated tracking system is implemented. In absence of the automated tracking system, the personnel requested would likely increase.

In addition to the personnel to administer the proposal, the DED assumes the need for .5 of a Computer Information Technician to develop and maintain an automated tracking system for agreements. In order to provide the best service possible to Missouri businesses, and ultimately Missouri Taxpayers, DED would design and implement a tracking system to ensure that the documents subject to review by the AGO would be executed with minimum delays.

These documents must be executed in a time sensitive environment. The DED frequently works with companies that are considering various states in which to locate. In order to successfully compete with other states, DED must work within the companies' time frame.

As the AG's Office is not electronically compatible with the DED's newer software, all documents would have to be copied and couriered to the AG. Computer equipment and support would be required to get contracts in excess of \$100,000 through this new approval process. This number does not include contracts and agreements that are already reviewed by representatives of the Attorney General's Office.

The DED would use the personnel as follows:

The .5 FTE Attorney would discuss specific contract issues with the Attorney General's office and coordinate revisions.

ASSUMPTION (continued)

The 1 FTE Executive II would supervise and oversee the clerical help and act as a liaison to the Executive I. The Executive II would prepare reports and monitor the agreements in the tracking system. The Executive II would also conduct work described for the Executive I.

The 1 FTE Executive I would work with all 13 divisions to insure documents are submitted for review. The Executive I would also provide assistance to the divisions with drafting and review of agreements for consistency as well as correspond with affected parties.

The 1 FTE Clerk Typist II would copy agreements, courier to the Attorney General's Office and retrieve documents, and make entries in the tracking system.

The .5 FTE Computer Information Technician II would develop and maintain a tracking system for agreements.

The DED estimates the cost of the proposal to be \$324,543 in FY 03; \$259,184 in FY 04; and \$266,026 in FY 05.

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

Officials from the **Department of Social Services (DOS) – Division of Legal Services (DLS)** assume the proposal would directly affect DOS's ability to enter into contracts in amounts of \$100,000 or more. There would potentially be a delay of 10 days between the negotiation of a contract and the ability of the DOS to execute the contract. In addition, this is not limited to contracts. If the DOS should attempt settlement of a lawsuit to which it is a party and the settlement resulted in a perceived loss of \$100,000, this proposal would require that the proposed settlement be submitted to the AG's Office for approval. Such a limitation would bar the department's attorney from entering into a settlement at trial and would limit the DOS's ability to negotiate settlements.

DOS assumes it is not possible to estimate the fiscal impact of this bill on their agency. The impact would depend on the number of contracts/agreements that would be over \$100,000 and upon the AG's use of a "pocket approval," approval by not disapproving within 10 days. It would also depend on whether those approved or disapproved were done in a short period of time or took the entire 10-day period.

ASSUMPTION (continued)

Assuming that all contracts/agreements of \$100,000 or more must be submitted to the AG's Office, DLS assumes there may be a need for an additional attorney to review all contracts/proposals/agreements/settlements and other documents to determine whether there is a requirement that the writing be submitted for review to the Office of the Attorney General.

Oversight assumes DOS could absorb within existing resources the cost of determining which contracts must be submitted for review by the Office of Attorney General.

Officials from the **Department of Social Services – Division of Family Services (DFS)** assume they process 450 contracts which have the potential of exceeding \$100,000 for the initial contact period plus any extension periods:

Adoption Subsidy	200
Day Care	70
Children's Treatment Services	50
Other	<u>130</u>
Total	450

DFS assumes transmitting original contracts to the Attorney General will require copying each contract and maintaining a log to track each contract. DFS assumes the work required can be handled with an additional .5 FTE Clerk Typist III at \$23,184 per FTE per year. DFS estimates the cost of the proposal to be \$25,958 in FY 03; \$21,156 in FY 04; and \$21,709 in FY 05.

Oversight has adjusted salaries to more closely reflect actual starting salaries. Oversight assumes the FTE would be housed within existing facilities. Therefore, no additional rent, renovation, janitorial, and utility expenses would be incurred.

Officials from the **Department of Social Services – Division of Budget and Finance (DBF)** estimate, based on a review of prior year experience, that approximately 80 contracts or agreements per year will originate from DBF that are for more than \$100,000. This proposal requires that DBF staff copy and send to the attorney each of these contracts and then wait for up to ten days for approval. Because DBF already produces multiple copies of most contracts, DBF assumes existing staff could absorb the additional work of making the additional copy of these contracts and sending them to the Attorney General's Office.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs - Office of Attorney General</u>			
Personal Service (.5 FTE)	(\$15,313)	(\$37,669)	(\$19,305)
Fringe Benefits	<u>(\$5,514)</u>	<u>(\$6,782)</u>	<u>(\$6,952)</u>
Total Costs – AGO	<u>(\$20,827)</u>	<u>(\$25,616)</u>	<u>(\$26,257)</u>
<u>Costs – Department of Social Services</u>			
Personal Service (.5 FTE)	(\$8,892)	(\$10,937)	(\$11,210)
Fringe Benefits	(\$3,202)	(\$3,938)	(\$4,037)
Equipment and Expense	<u>(\$9,880)</u>	<u>(\$1,354)</u>	<u>(\$1,394)</u>
Total Costs – DOS	<u>(\$21,974)</u>	<u>(\$16,229)</u>	<u>(\$16,641)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$42,801)</u>	<u>(\$41,845)</u>	<u>(\$42,898)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<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.

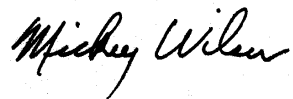
DESCRIPTION

The proposed legislation would require the Departments of Economic Development and Social Services to notify the Attorney General's Office before entering into contracts in excess of \$100,000. The Attorney General would have 10 days to review and approve or reject the contract. If rejected, the Attorney General would be 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. This legislation would not affect Total State Revenue.

SOURCES OF INFORMATION

Office of Attorney General
Department of Economic Development
Department of Social Services
– Division of Legal Services
– Division of Family Services
– Division of Budget and Finance



Mickey Wilson, CPA
Acting Director

February 25, 2002