

STORAGE NAME: h0815s1.gg

DATE: April 16, 1997

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 815

RELATING TO: State Government (procurement contracts)

SPONSOR(S): Committee on Governmental Operations & Representative Wallace

STATUTE(S) AFFECTED: Unnumbered Section

COMPANION BILL(S): SB 1662 (s), SB 1818 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) GOVERNMENTAL OPERATIONS YEAS 4 NAYS 0

(2) GENERAL GOVERNMENT APPROPRIATIONS)

(3)

(4)

(5)

I. SUMMARY:

Beginning January 1, 1998, CS/HB 815 requires that state agencies obtain certain information from the successful contractor on contracts costing \$75,000 or more. The information required includes as a condition of the contract an estimate of the number of full-time equivalent (FTE) positions, and an estimate of the amount of dollars represented by the labor portion of the contract, including salary and benefits.

Contracts for commodities are excluded from the provisions of the bill. Contracts included under the provisions of the bill include but would not be limited to contracts for social services, road design and construction, building construction, management consulting services, and public private partnerships.

Agencies would provide such information to the State Automated Management Accounting System (SAMAS) for entry, and for subsequent annual reporting.

This committee substitute will have a fiscal impact as follows: (1) There will be costs to the Department of Banking and Finance associated with setting up SAMAS to accept and report the information. (2) There would be additional undetermined costs to agencies associated with inputting data and printing reports for those service contracts of \$75,000 and more.

Contract costs may increase an undetermined amount from the additional workload of estimating and providing the required labor information.

CS/HB 815 does not appear to have a fiscal impact on local governments.

II. SUBSTANTIVE RESEARCHS:

A. PRESENT SITUATION:

State Purchasing

Commodities and contractual purchasing policies and procedures for state agencies are established in Chapter 287, F.S. Section 287.017, F.S. It establishes five purchasing threshold categories, with attendant dollar amounts, relative to the procurement of personal property and services by the state. These threshold amounts are adjusted annually, after June 30th, based on the April publication of the U.S. Department of Commerce Survey of Current Business Table - Price Indexes For Government Purchases by Type.

Category One currently has a threshold amount of	\$ 5,500.
Category Two currently has a threshold amount of	\$ 15,000.
Category Three currently has a threshold amount of	\$ 23,000.
Category Four currently has a threshold amount of	\$ 75,000.
Category Five currently has a threshold amount of	\$150,000.

Contracts for either commodities or contractual services costing in excess of \$15,000 (Category Two) are required to be formally bid, and are generally awarded to the lowest qualified bidder.

Services contracts falling into Category Two are either entered into pursuant to the agency's invitation to bid, or pursuant to a request for proposal (RFP). Bidders/offers submit their bids or offers to the agency with information which includes the amount the contractor is willing to provide the commodity or service for.

Current law does not require contractors with the state to provide, nor are state agencies required to obtain, information pertaining to the number of employees who will be used by the contractor to carry out the contractual provisions, or information concerning the compensation of those employees. Therefore, how much of the contract price that represents the labor portion of service contracts is not currently known by the state.

Fiscal Accounting

Section 11.46, F.S., establishes general and uniform procedures to be used by the state for purposes of fiscal accounting and reporting. This section requires that an overall plan providing an economical and efficient management accounting system for state officers and agencies be developed. To carry out the purpose of the plan, the Florida Fiscal Accounting Management Information System (FFAMIS), was developed. This system is an integrated financial management information system providing necessary information for the effective operation of state government.

FFAMIS is composed of seven subsystems, each with a separate functional "owner", responsible for soliciting input and responses from agencies using its subsystem. Each functional owner is also responsible for the security and validity of all data records within, or transferred from its particular subsystem.

The functional owner of one of those systems, the State Automated Accounting Subsystem (SAMAS), is the Department of Banking and Finance. The Department of Banking and Finance performs a number of activities with SAMAS including:

- Departmental, agency, or judicial branch accounting and reporting
- Cost accounting
- Production control
- State or central accounting and reporting
- Warrant preparation

The Department of Banking and Finance receives contract information, which is then entered into the SAMAS database. The SAMAS database program, however, is not currently programmed to accept the total employee number and compensation information called for by CS/HB 815.

B. EFFECT OF PROPOSED CHANGES:

CS/HB 815 requires that after entering into any contract of \$75,000 or more, excluding contracts for commodities, agencies are to obtain certain information from the successful contractor. Contracts included under the provisions of the bill include but would not be limited to contracts for social services, road design and construction, building construction, management consulting services, and public private partnerships. The information required includes estimates of the number of full-time equivalent (FTE) positions, and fractions of FTEs thereof, and the amount of dollars representing the labor portion of the contract, including salaries and benefits. The agency would then record these figures in SAMAS. These requirements would apply to contracts entered into after December 31, 1997.

The Comptroller would have to develop the capability of preparing reports, including an annual report, from this new information required to be recorded in SAMAS. The bill requires contractors to provide initial estimates of full time equivalent positions and the associated salary and benefit cost. It does not require contractors to provide the actual cost and associated FTEs upon completion of the contract.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

- a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

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- (2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. Contractors, agencies and SAMAS personnel would be collecting, processing and calling up information not required in current contracts.

- (3) any entitlement to a government service or benefit?

No.

- b. If an agency or program is eliminated or reduced:

Not Applicable.

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

- (2) what is the cost of such responsibility at the new level/agency?

- (3) how is the new agency accountable to the people governed?

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

Not directly or materially.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

Yes, in that contractors would be required to collect and provide information to procuring agencies which is not now required.

5. Family Empowerment:

Not applicable.

- a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

(4) Are families required to participate in a program?

(5) Are families penalized for not participating in a program?

b. Does the bill directly affect the legal rights and obligations between family members?

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

(2) service providers?

(3) government employees/agencies?

D. SECTION-BY-SECTION RESEARCH:

Section 1 - Provides legislative intent specifying that the Comptroller is to have access to, and annually publish the amount of dollars spent by this state in the labor portion of state contracted services as a benchmark and measurement tool of state contracted employment.

Requires state agencies, after entering into contracts for services costing in excess of \$75,000 (Category Four), to obtain estimates of the number of full-time equivalent positions, or fractions thereof, as well as the salary and benefits portion of each contract from the contractor. Requires state agencies to record such information in SAMAS. Provides that this requirement would apply only to service contracts entered into after December 31, 1997.

Requires the Comptroller to include the capability in SAMAS for recording labor information, and requires the Comptroller to publish such information annually.

Requires the Comptroller to include the capability in SAMAS to prepare reports of the full-time equivalent positions and labor dollars for the contracts entered into after December 31, 1997, and to publish such information annually.

Clarifies that the identified requirements apply to all state contracts Category Four or above, including public-private partnerships, except those for the purchase of commodities.

Section 2 - Provides an effective date of upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

The Department of Banking and Finance estimates it will cost \$111,112 in FY 98 for programming costs (the equivalent of one Senior SAMAS Analyst and one Systems Project Analyst) to make the appropriate revisions in the SAMAS database, and provide the capability to run the necessary reports.

2. Recurring Effects:

Agencies will be required to obtain estimates of the equivalent FTE from contractors and then input the information into SAMAS. According to the Department of Banking and Finance there typically are 10,000 to 15,000 contracts (excluding contracts for commodities) that exceed \$75,000 in a given fiscal year. Any additional costs incurred by contractors would likely be passed to state agencies. The bill requires contractors to provide estimates of full time equivalent positions and the associated salary and benefit cost. It does not require contractors to provide the actual cost and associated FTEs upon completion of the contract. To the extent that agencies revise the original estimates of FTE and associated salary and benefits, the fiscal impact on agencies will be greater.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

\$111,122.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None that are obvious.

D. FISCAL COMMENTS:

The additional information provided in the estimates may cause bidders to more accurately analyze the costs of the proposed contract. This may result in more competitive bidding.

The SAMAS programming office initially estimated programming costs in the second and third years of almost \$105,000 per year, and continuing annual costs of over \$91,600 per year. After inquiries to the fiscal analyst and to programming office personnel, the need for additional personnel was (with the concurrence of the fiscal analyst) revised. SAMAS personnel agree that it may be possible to accomplish the initial task of adding the extra fields and reporting capability (including attendant activities) with less than the equivalent of two full-time programmers working for a year.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

CS/HB 815 does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

CS/HB 815 does not reduce the authority of counties or municipalities to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

CS/HB 815 does not reduce the percentage of state tax shared with counties and municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The House Committee on Governmental Operations at its March 27, 1997 meeting adopted one amendment to HB 231. The bill was reported as a committee substitute. The amendment inserts the word "successful" before "contractor" which clarifies that the procuring agency would not have to secure the labor related information until after the contract was awarded.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

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