

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6306
BILL NUMBER: SB 152

DATE PREPARED: Feb 21, 2002
BILL AMENDED: Feb 21, 2002

SUBJECT: Municipal and County Public Work Projects.

FISCAL ANALYST: Chuck Mayfield
PHONE NUMBER: 232-4825

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill provides that the workforce of a municipality or a county may perform certain public works projects if the cost of the project is estimated to be less than \$150,000. It gives a public works contractor discretion to have the board that contracts for the public work to: (1) hold the retainage; or (2) place the retainage in an escrow account. The bill provides that the board shall not be required to pay interest on the retainage that the board holds. This bill specifies notice and public meeting requirements that must be satisfied before a public work project may be performed by the municipality's or county's own workforce.

The bill requires the auditor to withhold from Motor Vehicle Highway Account funds an amount equal to the excess costs of a public work project incurred in the preceding fiscal year. It adds requirements for examination reports prepared by the State Board of Accounts concerning public work projects performed by the municipality's or county's own workforce. The bill provides that if the cost of public work by a municipal or county hospital is less than \$75,000, the hospital may have the work done without receiving bids and by means of its own workforce.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) The bill requires the State Board of Accounts (SBOA) to provide a written description of each public works project done by a municipality or county with its own workforce. The SBOA would also generate an opinion that the project complied with IC 36-1-12-3 or IC 36-1-12-3.1. The bill requires the SBOA to calculate the actual cost of a public works project done by a unit's workforce. If the actual costs exceed \$157,500, 105% of the new \$150,000 limit, then the difference would be withheld from the unit's Motor Vehicle Highway Account funds by the auditor. The bill could increase the time required to do audits of counties and municipalities by the SBOA. Current statute requires annual audits for counties and municipalities. Sometimes the SBOA has not been able to annually audit all counties and municipalities, so some may be audited biannually.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill increases the limit from \$100,000 to \$150,000 below which a municipality or a county may use its own workforce for certain projects within its jurisdiction. The specific fiscal impact is not known. However, the bill potentially could result in reduced expenditures for highway, street, alley, road, and bridge projects. Since the bill provides the municipality or the county with increased flexibility on whether to contract or use county employees for certain projects, they can choose the less expensive option.

The bill increases the limit from \$50,000 to \$75,000 below which a municipal or county hospital may have a public works project done by its own workforce. Since the bill provides the municipality or county hospitals with increased flexibility on whether to contract or use employees for certain projects, they can choose the less expensive option.

Explanation of Local Revenues: (Revised) The bill allows the contractor to decide if the project's retainage be held by the board or placed in an escrow account. The board is not required to pay interest, so increased interest revenue would be possible if the board invests the retainage.

State Agencies Affected: State Board of Account, State Auditor.

Local Agencies Affected: Cities and Counties.

Information Sources: Mike Fiwek, State Board of Accounts, (317) 232-2514.