

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6752**

**BILL NUMBER: SB 441**

**NOTE PREPARED:** Feb 11, 2011

**BILL AMENDED:** Feb 10, 2011

**SUBJECT:** Public Works Projects Cost Thresholds.

**FIRST AUTHOR:** Sen. Hershman

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Cost of Projects - DNR; DOA:* This bill increases the cost of projects that the Department of Natural Resources (DNR) and the Department of Administration (DOA) may perform without awarding a public works contract from \$75,000 to \$150,000.

*Cost of Projects - Political Subdivisions:* The bill increases the cost of projects that some political subdivisions may perform without awarding a public works contract from \$100,000 to \$150,000.

*Retention of Payments:* The bill requires that the public works division include as part of a public works contract provisions for retaining parts of certain payments if the estimated cost of the public works project is more than \$1,000,000. (Current law requires the provisions to be included if the estimated cost of the public works project is more than \$150,000.)

*Notification:* The bill specifies notice and public meeting requirements that must be satisfied before a public work project with an estimated cost of more than \$100,000 may be performed by a municipality or county's own workforce.

*Examination Reports:* The bill 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.

*State Higher Educational Institution:* The bill provides that a state higher educational institution can maintain or repair a building without awarding a contract if the estimated cost of the project is less than \$200,000.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** (Revised) *Cost of Projects - DNR, DOA:* Raising the limit from \$75,000 to \$150,000 could increase the number and types of projects that these agencies could complete using their own workforce. This could reduce their expenditures to the extent that they would not need to contract for additional outside services. For example, DNR's seasonal work cycle would allow staff to complete construction projects during winter months when public visitation to its properties is minimal.

The proposal would not require the agencies to complete all projects under \$150,000, but would provide them with the option to do so.

In 2010, DNR bid 8 projects totaling \$822,618 that were in the cost range of greater than \$75,000 but less than \$150,000. In 2009 DNR bid 6 projects totaling \$648,776 in the same cost range. In 2008 DNR bid 7 projects totaling \$803,675 that were in the cost range.

(Revised) *Retention of Payments:* This may increase the number of bids for projects whose estimated cost is between \$150,000 and \$1 M .

(Revised) *Examination Reports:* The State Board accounts should be able to complete this task within its existing level of resources assuming near customary agency staffing and resource levels.

(Revised) *State Higher Educational Institution:* Raising the limit from \$50,000 to \$200,000 would increase the number and types of projects that a state institution of higher learning could complete using its own workforce. This could reduce expenditures because the institution would not need to contract for additional outside services.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) *Cost of Projects - Political Subdivisions:* Raising the limit from \$100,000 to \$150,000 could increase the number and types of projects that some local units could complete using its own workforce. This could reduce local expenditures to the extent that the local unit would not need to contract for additional outside services. The specific impact is unknown and will vary from unit to unit.

(Revised) *Notification:* Counties and municipalities would incur the costs of publication and administering the public meetings. This would be offset by the potential savings in having projects completed by their own workforce.

**Explanation of Local Revenues:**

**State Agencies Affected:** DNR; DOA; State Institutions of Higher Learning.

**Local Agencies Affected:** Local Taxing Units; Counties; Municipalities.

**Information Sources:** Chris Smith, Legislative Liaison, DNR.

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