

March 23, 2011

The Honorable Anthony Brown, Chairperson
House Committee on Commerce and Economic Development
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Brown:

SUBJECT: Fiscal Note for HB 2256 by House Committee on Commerce and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2256 is respectfully submitted to your committee.

HB 2256 would create a policy to encourage and promote the use of small contractors, minority contractors, physically disabled contractors, and women contractors in the state purchasing of goods and services. The bill would require certain public agencies, including state agencies, institutions and political subdivisions of the state, that receive an appropriation of \$500,000 or more during a fiscal year from the Kansas Legislature to report to the Department of Administration annually on the percentage of contract purchases of goods and services were from minority-owned businesses, female-owned businesses, disabled-owned businesses, disabled business enterprises, and non-profit work centers for the blind and severely disabled.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$271,196	\$271,196
FTE Pos.	--	--	--	2.00

According to the Division of Purchases in the Department of Administration, enactment of HB 2256 would require expenditures of \$271,196 in FY 2012, all from the State General Fund. This estimate includes 2.00 FTE Procurement Officer I positions totaling \$95,388 for salaries and wages, \$4,364 for other operating expenditures including computers and communication expenses, \$50,000 for temporary services for data entry of information gathered from the public agencies, and mailing costs of \$121,444 for up to three rounds of mailings to vendors. This one-time expenditure for mailings would be to contact each of the state's vendors.

The Honorable Anthony Brown, Chairperson

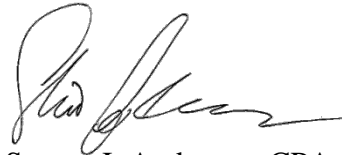
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in the state's accounting system so that required information contained in HB 2256 could be gathered and entered into the system. For the mailing costs, the Division estimates that 150,750 letters would be mailed for a first-round mailing at a cost of \$67,976, including printing and postage, and assuming a 50.0 percent rate of response. The Division would then send a second round of mailings to the approximate 37,700 vendors who did not respond at a cost of \$36,106, with an approximate 50.0 percent rate of response. Finally, a third round of mailings would cost \$17,361. These mailing costs would be incurred only if the Department chose to not use the internet or other electronic means to gather vendor data. Ongoing costs in future years would include only the salary and wage expenditures for the 2.00 FTE Procurement Officer I positions.

The Division of Purchases notes that it based the cost estimates on a similar program that existed in the mid-1980s, known as the Kansas Small Business Procurement Act. The Division had a staff of 4.00 FTE positions to administer the requirements of the act, which was allowed to sunset in 1986, and data collection efforts ceased at that time. Any fiscal effect associated with HB 2256 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Pat Higgins, Administration