

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 895** HLS 16RS 244
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 12, 2016 8:33 AM	Author: ZERINGUE
Dept./Agy.: Coastal Protection	
Subject: Grants preference to LA resident contractors	Analyst: Alan M. Boxberger

PUBLIC CONTRACT/BIDS OR INCREASE SD EX See Note Page 1 of 1
 Grants preferences to Louisiana resident contractors for integrated coastal protection projects

Proposed law requires public entities to give preference to La. resident contractors in letting contracts for public work for integrated coastal protection projects, except those financed in whole or in part by the US government. Proposed law requires such contracts to be awarded to an available, qualified La. resident contractor if competitive bidding is not required. Proposed law requires such contracts to be awarded to an available, qualified La. resident contractor when competitive bidding is required so long as the bid is not more than 10% higher than the lowest responsible nonresident bid and the resident contractor agrees to revise his bid to be no more than the lowest responsible nonresident bid. Present law defines integrated costal protection projects. Proposed law retains present law and adds construction and maintenance of levees and restoration projects.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will likely result in indeterminable court costs for the Coastal Protection and Restoration Authority (CPRA) associated with legal challenges by nonresident contractors if preferential status results in a resident contractor receiving the contract award over a lower responsible nonresident bid. These costs would be paid from the statutorily dedicated Coastal Protection and Restoration Fund or the Natural Resources Restoration Trust Fund. To the extent that any resulting litigation may be referred to the Attorney General (AG) for defense, the potential impact may be diverted to the SGF instead. CPRA does not anticipate any additional expenditure impacts, as proposed law provides that a contract may go to a resident contractor only if its initial bid were not in excess of 10% above the low bid and if said contractor is willing to perform the work at the lowest bid rate. CPRA reports that there is a very high likelihood of litigation as a result of awarding contracts on a preferential basis. According to the AG's office, litigation in connection with publicly bid contracts is common in general and geographical preferences employed in connection with public contracting raises constitutional concerns (commerce clause and dormant commerce clause provisions).

NOTE: The Division of Administration, Facility Planning and Control (FP&C), submitted a fiscal impact including the requirement to add 2 T.O. positions at an average salary of \$46,000 each. The potential total personal services cost for both positions including related benefits (at 35.8% of salary) would be approximately \$125,000. FP&C also reported potential legal challenges resulting in an indeterminable increase of SGF expenditures, depending on the frequency and scope of any lawsuits. FP&C did not provide a written explanation of the necessity of two T.O. positions or what those job titles may be. The LFO believes that any workload changes resultant from proposed law would be incremental in nature and require only a nominal change in expenditure levels if any.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

- | | | |
|---|----------------------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Evan Brasseaux
Evan Brasseaux
Staff Director