

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB GOAS 11-07 Department of Management Services

**SPONSOR(S):** Government Operations Appropriations Subcommittee

**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Government Operations Appropriations Subcommittee		Dykes	Topp

### SUMMARY ANALYSIS

The Department of Management Services (department) is the administrative arm of Florida's state government. The bill amends statutes relating to the department to conform to the proposed House General Appropriations Act by:

- Revising provisions relating to the reimbursement of the department for actual costs of coordinating the annual Florida State Employees' Charitable Campaign.
- Providing for the transfer of funds generated by fees collected for the use of the department's online procurement system and electronic information services (commonly known as MyFloridaMarketPlace) from the department to the Department of Financial Services to support statewide purchasing operations associated with the online procurement system and electronic information services.
- Providing for an annual transfer of specified excess revenue from fees collected from private sector vendors for the use of the online procurement systems and electronic information services (commonly known as MyFloridaMarketPlace) to the General Revenue Fund.
- Repealing the statute which establishes the executive aircraft pool within the department, and terminating the Bureau of Aircraft Trust Fund and transferring balances to the General Revenue Fund.

To conform to the proposed House General Appropriations Act, this bill ensures that the department is fully reimbursed the actual cost for coordinating the annual Florida State Employees' Charitable Campaign; transfers an amount of fees collected, not to exceed \$1 million, from the department to the Department of Financial Services; transfers the estimated amount of \$1.3 million of fees collected to the General Revenue Fund; and reduces the departments recurring operating budget by \$1.5 million through the elimination of the executive aircraft pool.

This bill takes effect on July 1, 2011.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

Effect of Bill:

##### Florida State Employees' Charitable Campaign

Background:

Pursuant to s. 110.181, F.S., the Department of Management Services (department) is required to establish and maintain, in coordination with the payroll system of the Department of Financial Services, an annual Florida State Employees' Charitable Campaign. The annual fundraising drive is authorized to be directed toward state employees within work areas during work hours. The state provides payroll deduction based upon employee elections.

The department is responsible for selecting through the competitive procurement process a fiscal agent or agents to receive, account for, and distribute charitable contributions among participating charitable organizations. Pursuant to s. 110.181(2)(b), F.S., the fiscal agent is required to withhold the reasonable costs for conducting the campaign and for accounting and distribution to the participating organizations. The fiscal agent is further required to reimburse the department the actual cost, not to exceed 1 percent of gross pledges, for coordinating the campaign in accordance with the rules of the department.

Department analysis shows that approximately \$100,000 in out-of-pocket costs was not reimbursable to the department in each of the two recently completed fiscal years due to the reimbursement limit of 1 percent of gross pledges.<sup>1</sup>

Effect of Bill:

This bill amends s. 110.181, F.S., to require the fiscal agent to reimburse the department the actual cost of conducting the campaign; thus, removing the limitation that the department's reimbursement will not exceed 1 percent of gross pledges.

##### Electronic Procurement System Transaction Fees Collected by the Department

Background:

Pursuant to sections 287.042 and 287.057, F.S., the Department of Management Services (department) has the authority to impose and collect transaction fees from private sector vendors for the use of its online procurement system and electronic information services (commonly known as MyFloridaMarketPlace). Accordingly, the department has established and imposed a transaction fee in an amount sufficient to cover the projected costs of services, including administrative and project service costs. All transaction fees collected under the statutory provisions are required to be used for disbursements as provided by law.

The transaction fees are collected and used for the purpose of making contractor payments associated with the online procurement system and electronic information services and for department administrative costs for functions and services within the department's Support Program – i.e., The Office of Supplier Diversity, Fleet Management, and the Division of State Purchasing.

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<sup>1</sup> Department of Management Services' analysis is on file with the Government Operations Appropriations Subcommittee.

Transaction fees collected from vendors in excess of what is needed to fund the legislatively authorized disbursements accumulate in the Purchasing Oversight account in the Operating Trust Fund and become unobligated cash balances. These cash balances are deposited with the State Treasury and earn modest rates of return. Excess cash balances have been transferred to the General Revenue Fund in past years.

Effect of Bill:

This bill amends sections 287.042 and 287.057, F.S., to require the department to transfer funds generated by fees collected from private sector vendors for the use of its online procurement system and electronic information services (commonly known as MyFloridaMarketPlace) from the Purchasing Oversight account in the Operating Trust Fund to the Administrative Trust Fund in the Department of Financial Services to fund staff that support statewide purchasing operations associated with the online procurement system and electronic information services.

This bill specifies that the amount of transfer must be established each year in the department's nonoperating budget based upon the estimated cost of staff support provided by the Department of Financial Services, not to exceed \$1 million.

This bill also requires the department to calculate by June 5 each year the amount of fees collected and remaining in the Operating Trust Fund in excess of all obligations and encumbrances to cover the costs of providing services and transfer excess revenue to the General Revenue Fund before June 30 of each year. The bill sets forth a cash balance limit of \$1.25 million the department is authorized to maintain in the Purchasing Oversight account in the Operating Trust Fund on June 30 of each year.

As a result, it is estimated that \$1.3 million will be transferred to the General Revenue Fund, on a recurring basis, to avoid excess cash accumulation in the Operating Trust Fund. The funds transferred to the General Revenue Fund will help balance the state's General Revenue Fund.

Executive Aircraft Pool

Background:

The Department of Management Services (department) established an executive aircraft pool for the purpose of furnishing executive air travel pursuant to s 287.161, F.S. Most recently, the aircraft pool consisted of a state-owned Beechcraft King Air 350 Turbo-Prop and a leased Cessna Citation Bravo business jet.

Upon taking office, the Governor directed the department to sell both aircraft and to terminate employment of the 11-member crew of pilots, mechanics, and administrative staff. Both aircraft have been sold.

The Bureau of Aircraft Trust Fund, FLAIR number 72-2-066, has been used as the depository for fee collections for persons traveling on an executive aircraft and for expenditures associated with the costs incurred to operate aircraft management activities of the department. In light of the department's actions, the trust fund is no longer needed.

Effect of Bill:

This bill repeals s. 287.161, F.S., which establishes the executive aircraft pool within the department, and terminates the Bureau of Aircraft Trust Fund and transfers balances to the General Revenue Fund. State officials will seek alternative air travel to meet their transportation needs.

**B. SECTION DIRECTORY:**

**Section 1.** Amends s. 110.181, F.S., revising provisions relating to the reimbursement of the Department of Management Services for actual costs of coordinating the Florida State Employees' Charitable Campaign.

**Section 2.** Amends s. 287.042, F.S., providing for the transfer of funds generated by fees collected for the use of the Department of Management Services' online procurement systems and electronic information services (commonly known as MyFloridaMarketPlace) from the department to the Department of Financial Services to support statewide purchasing operations; establishing the amount of transfer; providing for annual transfer of specified excess revenue from fees collected for the use of such systems and services to the General Revenue Fund; and setting an annual limitation on the cash balance in the Operating Trust Fund of the department.

**Section 3.** Amends s. 287.057, F.S., providing for the transfer of funds generated by fees collected for the use of the Department of Management Services' online procurement systems and electronic information services (commonly known as MyFloridaMarketPlace) from the department to the Department of Financial Services to support statewide purchasing operations; establishing the amount of transfer; providing for annual transfer of specified excess revenue from fees collected for the use of such systems and services to the General Revenue Fund; and setting an annual limitation on the cash balance in the Operating Trust Fund of the department.

**Section 4.** Amends s. 287.16, F.S., eliminating a duty of the Department of Management Services to provide an annual report concerning utilization of aircraft in the executive aircraft pool.

**Section 5.** Repeals s. 287.161, F.S., which establishes the executive aircraft pool within the Department of Management Services and provides procedures and requirements thereto.

**Section 6.** Terminating the Bureau of Aircraft Trust Fund within the Department of Management Services; providing for the disposition of balances in and revenues of the trust fund; and prescribing procedures for terminating the trust fund.

**Section 7.** Providing an effective date of July 1, 2011.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

See "Fiscal Comments" section.

2. Expenditures:

Executive Aircraft Pool

The proposed House General Appropriations Act will provide for the elimination of 11 FTE (pilots, mechanics, and administrative staff) and all operating appropriations. The total reduction in recurring operating budget is \$1.5 million comprised of \$898,576 in recurring General Revenue and \$629,764 in recurring costs in the Bureau of Aircraft Trust Fund.

See "Fiscal Comments" section.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

Florida State Employees' Charitable Campaign

- An analysis prepared by the Department of Management Services (department) shows that an additional amount up to \$100,000 in out-of-pocket costs will be reimbursable to the department beyond the amount of reimbursements for the two recently completed fiscal years - assuming the same level of department effort to conduct the campaign.

Electronic Procurement System Transaction Fees Collected by the Department

- An amount not to exceed \$1 million per year will be transferred from the Purchasing Oversight account in the Operating Trust Fund in the department to the Administrative Trust Fund in the Department of Financial Services to fund staff that support statewide purchasing operations associated with the department's online procurement systems and electronic information services (commonly known as MyFloridaMarketPlace).
- Based on an accrual fund balance analysis of the Purchasing Oversight account in the Operating Trust Fund, it is estimated that \$1.3 million will be transferred to the General Revenue Fund, on a recurring basis, to avoid excess cash accumulation in the Operating Trust Fund. The funds transferred to the General Revenue Fund will help balance the state's General Revenue Fund.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to require a county or municipality to spend funds or take an action requiring expenditures; reduce the authority that counties and municipalities had as of February 1, 1989, to raise revenues in the aggregate; or reduce the percentage of a state tax shared in the aggregate with counties and municipalities as of February 1, 1989.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES