

Background

This bill may impact private contractors that work in multiple states due to procurement reciprocity. Colorado is one of approximately 35 states that impose some form of this practice. Under current law, if one state provides a preference to its residential bidders, Colorado will increase bids received from vendors of that state by an equal percentage. For instance, if a contractor based in Alaska receives a 7 percent price preference when bidding for contracts under the State of Alaska, any bids received from those vendors in Colorado would be increased by 7 percent. Accordingly, other states may increase the price of bids received from Colorado contractors.

State Expenditures

Beginning in FY 2011-12, this bill will increase the cost of construction for state agencies, and create one-time state expenditures of \$26,713 cash funds and 0.3 FTE for FY 2011-12.

Colorado Department of Transportation (CDOT). One-time cash fund expenditures of \$26,713 and 0.3 FTE are required in FY 2011-12 to revise bidding rules.

Construction costs. To the extent that a resident bidder's price would have been up to 5 percent greater than a low nonresident bidder, state costs for construction will increase. As any such amount is based on future solicitations and actual bid prices submitted, the increase in costs has not been estimated. However, it is worth noting that as of December 2010, there were 389 construction projects being managed by the Office of the State Architect (OSA) in the Department of Personnel and Administration (DPA). Some of these contracts span multiple fiscal years, but the combined value of these projects is \$2.65 billion. The OSA does not track whether contracts are awarded to resident or nonresident bidders. Based on averages from the 5 prior calendar years, CDOT issues 162 construction contracts worth \$438 million each year. Of this number, 75 percent would be exempt from the bill, and 5 percent would be awarded to nonresident bidders. Assuming that 5 percent of all state construction contracts active in 2010 were awarded to nonresident bidders as offering the lowest price, allowing those prices to be increased by up to 5 percent and awarded to a resident bidder would have increased the price of construction for the state by \$6.9 million. This amount may be reflected over several fiscal years, depending on when the contract was issued.

Procurement costs. The fiscal note assumes that the provision requiring a state agency to write and post a determination that a procurement must be issued to the lowest price bidder, irrespective of residency, in order to comply with federal law will increase the workload of state agencies by a minimal amount. This analysis assumes that such notices can be posted online on agency web sites and/or the Colorado BIDS procurement system website at no cost. Any increases in staff time for writing the determination are anticipated to be minimal and do not require a new appropriation.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 1.

Table 1. Expenditures Not Included Under HB11-1233*	
Cost Components	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,130
Supplemental Employee Retirement Payments	1,209
TOTAL	\$3,339

**More information is available at: <http://colorado.gov/fiscalnotes>*

State Appropriations

Expenditures for the CDOT are made from the State Highway Fund, which is continuously appropriated and requires no separate appropriation by the General Assembly.

Departments Contacted

Corrections Higher Education Personnel and Administration
Transportation