

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0466
Prime Sponsor(s): Rep. Moreno
 Sen. Scott

Date: January 15, 2015
Bill Status: House Transportation & Energy
Fiscal Analyst: Erin Reynolds (303-866-4146)

BILL TOPIC: HIGHWAY PROJECT CONTRACT AMOUNT LIMIT WAIVERS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>up to (\$220,000)</u>	<u>up to (\$220,000)</u>
Cash Funds	up to (\$220,000)	up to (\$220,000)
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

Under current law, if there are fewer than three bidders for a highway project contract, the contract may only be awarded if it is 10 percent or less than the Colorado Department of Transportation's (CDOT) project cost estimate. In instances where the contract is less than \$1.0 million, the contract may only be awarded if it is 25 percent or less than the CDOT's project cost estimate.

The bill allows the executive director of the CDOT to award a highway project contract where there are fewer than three bidders to the low responsible bidder regardless of the CDOT's project cost estimate if the executive director determines in writing that doing so is in the financial, economic, or other interest of the state. The executive director's written determination must be included in the contract file and made publicly available by posting on the CDOT's website.

Background

CDOT's Engineering Estimates and Market Analysis Unit (EEMA) is a four-person unit that produces a project cost estimate using a line item cost estimation practice. Among the many factors considered in a project cost estimate are project schedule, historical project item costs, current market conditions, geographic location, material types and availability, labor costs, and market trends. The EEMA's estimates have been historically accurate, with the average estimate within 5 to 7 percent of the awarded bid amount.

State Expenditures

The bill is expected to reduce expenditures in the CDOT from the State Highway Fund. Of the average 150 highway project contracts that undergo the competitive bid process each year, about 20 have to be rebid in a subsequent year because the bids received did not fall within statutory limits. The cost of rebidding a highway project contract is estimated at \$11,000 per contract. This figure includes:

- regional staff hours preparing the plans, specifications, and engineering documentation;
- headquarters staff hours processing feedback, re-estimating, re-creating the advertising and bid documents;
- print shop hours and materials, which average between \$500 and \$5,000 per set depending on the complexity of the project; and
- overhead costs.

If 20 projects a year avoid the rebidding process, the potential cost savings is \$220,000 per year to CDOT.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Counties
Personnel

Local Affairs
Transportation

Municipalities