

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0393	Date: March 25, 2015
Prime Sponsor(s): Rep. Williams; Salazar Sen. Crowder; Guzman	Bill Status: House Business, Affairs & Labor
	Fiscal Analyst: Chris Ward (303-866-5834)

BILL TOPIC: BUSINESS OPPORTUNITY STUDY

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>\$1,337,457</u>	<u>\$38,832</u>
General Fund	1,331,712	32,100
Centrally Appropriated Costs**	5,745	6,732
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: \$1,331,712 - Department of Personnel and Administration (FY 2015-16)		

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

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill directs the Department of Personnel and Administration (DPA) to conduct a study to determine whether disparities in the selection of businesses exist in the state procurement system. The study's final report is to be completed, posted online by the Minority Business Office, and submitted to members of the General Assembly by January 1, 2017. The executive director of the DPA is required to include the findings of the study and any additional recommendations in the department's State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act hearing.

The executive director of the DPA is also required to develop a method for tracking state contracts with historically underutilized businesses, and to publish this information online. The DPA must track and publish this information for bids solicited on or after January 1, 2016.

Background

Under current law, state procurement rules apply to all executive branch agencies, although higher education institutions may opt out of these rules. The legislative and judicial branches of government, and political subdivisions of the state, may opt in to the rules. Procurement policy and rule-making for participating state agencies is overseen by the DPA.

State Expenditures

Conducting a study as required by the bill is estimated to cost \$1.3 million in FY 2015-16. Also, beginning in FY 2015-16, the DPA will incur costs for managing the vendor contract, and for developing and implementing a process for tracking and publishing information on state contracts with historically underutilized businesses. These costs are shown in Table 1 and described below. All costs will be paid from the General Fund.

Table 1. Expenditures Under House Bill 15-1306		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$26,574	\$31,625
FTE	0.5	0.5
Operating and Capital Outlay Costs	5,138	475
Vendor Contract Costs	1,300,000	0
Centrally Appropriated Costs*	5,745	6,732
TOTAL	\$1,337,457	\$38,832

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Personnel and Administration. The DPA will incur one-time costs to contract for the study and ongoing costs for tracking contract information. The estimated \$1.3 million cost for the study is based on responses to a February 2014 request for information conducted by the DPA. The request was based on a review of all contracts over a 5-year period that were entered into by agencies subject to the state procurement code; it did not assume a review of contracts by entities that are exempt from the code. Actual costs may be lower, since the bill requires only a 4-year review. However, the DPA may also need spending authority that extends beyond FY 2015-16, in case the contract study period extends beyond June 30, 2016. The final study report is due to the General Assembly by January 1, 2017.

Ongoing costs for tracking and maintaining information about contracts with historically underutilized businesses will require 0.5 FTE beginning in FY 2015-16. First-year costs shown in Table 1 reflect the General Fund pay date shift and one-time capital outlay costs.

Other State Agencies. Executive branch departments and participating state institutions of higher education will be required to provide information during the study process and to respond to requests for tracking information once the study is completed. These activities are not anticipated to require an increase in appropriations for any state agency.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB15-1306*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,020	\$4,026
Supplemental Employee Retirement Payments	2,247	2,706
TOTAL	\$6,267	\$6,732

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

Effective Date

The bill takes effect July 1, 2015.

State Appropriations

For FY 2015-16, the Department of Personnel and Administration requires a General Fund appropriation of \$1,331,712 and an allocation of 0.5 FTE.

State and Local Government Contacts

All Departments