



**REVISSED FISCAL IMPACT**

(replaces fiscal impact dated February 7, 2006)

<b>Drafting Number:</b> LLS 06-0036	<b>Date:</b> February 27, 2006
<b>Prime Sponsor(s):</b> Sen. Hagedorn	<b>Bill Status:</b> Senate Appropriations
Rep. M. Carroll	<b>Fiscal Analyst:</b> Chris Ward (303-866-5834)

**TITLE:** CONCERNING CONTRACTS IN WHICH THE STATE IS A PARTY, AND, IN CONNECTION THEREWITH, PROVIDING DISCLOSURE OF INFORMATION IN CONNECTION WITH SUCH CONTRACTS AND SPECIFYING CIRCUMSTANCES UNDER WHICH THE STATE MAY ENTER INTO PERSONAL SERVICE CONTRACTS.

<b>Fiscal Impact Summary</b>	<b>FY 2006/07</b>	<b>FY 2007/08</b>
<b>State Revenues</b> General Fund	Minimal increase	
<b>State Expenditures</b> Cash Funds - Department of State Cash Fund	\$365,398	\$190,357
<b>FTE Position Change</b>	5.3 FTE	5.5 FTE
<b>Effective Date:</b> September 1, 2006		
<b>Appropriation Summary for FY 2006/07:</b> Department of State - \$365,398 CF and 5.3 FTE		
<b>Local Government Impact:</b> None		

**Summary of Legislation**

As amended by the Senate State, Veterans, and Military Affairs Committee, the bill expands the Colorado Sunshine Act to require disclosure and reporting of certain expenditures by vendors bidding on state contracts and others who promote a particular vendor for a contract. The provisions apply to any person who attempts to aid or influence a state official in the award of a state contract, or who spends more than \$250 per year to promote or oppose the awarding of a state contract worth more than \$15,000 to a particular vendor. Vendors must disclose the total amount spent on lobbying in connection with the awarding of a state contract during the previous year as well as the amount paid to faculty members of any higher education institution. As amended, the bill also requires pharmaceutical manufacturers to report certain expenditures and for the Medical Services Board to post the information on its website.

The bill authorizes the Secretary of State to investigate the activities of any person who has submitted a bid, offer, or proposal in connection with the awarding of a state contract for which the person has made or incurred any expenditures for lobbying and who may be in violation of statutory requirements concerning lobbyist disclosure and registration.

The bill specifies that a personal services contract or an amendment to the contract may only be authorized if a department head makes a determination that certain conditions specified in the act have been satisfied. Departments are required to make all data and other information relevant to a personal services contract available to the public, including information from the contractor's books and records. Any business that wishes to be included in the existing supplier database would be required to file disclosure statements for any lobbying expenditures made in connection with the awarding of a state contract.

### **State Revenues**

The bill establishes a civil penalty of up to \$10,000 for pharmaceutical manufacturers that fail to disclose certain expenditures. Given this penalty, a high level of compliance is assumed and no significant increase in state revenues is expected. Revenues would be credited to the General Fund.

### **State Expenditures**

At a minimum, the bill will increase state expenditures by **\$365,398 and 5.3 FTE in FY 2006-07** for the Department of State. It could also increase the amount of time and effort involved in approving state contracts and making contract information available to the public, but the potential costs for this additional time and effort have not been fully analyzed.

***Lobbyist Disclosures.*** The bill will increase costs for the Department of State to develop and maintain a database, and administer the registration and reporting system. An estimated 30,000 filings are expected per year, one for each bid, offer, or proposal submitted to the state, although it is assumed that many vendors will report electronically. The department's costs are expected to total \$365,398 and 5.3 FTE in FY 2006-07, including roughly \$185,000 in one-time computer-related costs. Beginning in FY 2007-08, the department will require \$190,357 and 5.5 FTE per year. The FTE requirements of this bill are based roughly on the 0.5 FTE in staff currently required to handle the monthly filing of disclosure statements for 500 lobbyists.

***Personal Services Contracts.*** The bill adds new criteria to be considered in awarding personal services contracts and requires all departments to make data and other information relevant to a personal services contract available to the public, including information from the contractor's books and records. These changes could increase the amount of time and effort involved in awarding personal services contracts. The impact has been identified by state agencies as ranging from minimal or no costs to a need for nearly \$185,000 and 2.3 FTE. However, further analysis of these estimates is necessary.

The bill also imposes disclosure and reporting requirements on companies wishing to bid on state contracts and lobbyists working on behalf of companies seeking state contracts. These requirements could inhibit some firms from bidding on state contracts and could also affect the amount paid for personal services contracts if companies pass along the compliance costs, although the actual impact is unknown.

*Pharmaceutical Manufacturers.* As amended, the bill requires pharmaceutical manufacturers to disclose certain expenditures to the Medical Services Board in the Department of Health Care Policy and Financing. Among other things, companies must disclose the total amount spent on lobbying state officials with rule-making authority. The information must be reported on a form prescribed by the board and posted on the board's website. These functions are not expected to require any additional resources.

### **State Appropriations**

The Department of State will require an appropriation of \$365,398 and 5.3 FTE from the Department of State Cash Fund for FY 2006-07.

### **Departments Contacted**

All Departments