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FISCAL NOTE

Drafting Number: LLS 19-0099 Date: February 22, 2019
Prime Sponsors: Sen. Williams A.; Rodriguez Rep. Buckner; Buentello Bill Status: Senate Business Fiscal Analyst: Ariel Hammerquist | 303-866-3469 Ariel.Hammerquist@state.co.us

Bill Topic: STATE PROCUREMENT DISPARITY STUDY

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill requires the Department of Personnel and Administration to commission an independent disparity study of the state procurement process involving certain historically underutilized businesses.

Appropriation Summary: For FY 2019-20, this bill requires an appropriation of \$2,251,015 to the Department of Personnel and Administration.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1 State Fiscal Impacts Under SB 19-135

Table with 4 columns: Category, FY 2019-20, FY 2020-21. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total), Total FTE, Transfers, and TABOR Refund.

## Summary of Legislation

This bill requires the Department of Personnel and Administration (DPA) to commission an independent study of the state procurement process to determine whether disparities exist between the participation of historically underutilized businesses and other businesses. The study must be completed by December 1, 2020, and the DPA must 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. By January 1, 2020, DPA is required to implement a method to track all contracts entered into by all state departments subject to the state's procurement code that are awarded to a historically underutilized business.

## Background

Historically underutilized businesses are those that are majority owned by one or more individuals that are women; racial or ethnic minorities; members of the lesbian, gay, bisexual, transgender community; or disabled.

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

This bill increases state expenditures by \$2.26 million in FY 2019-20 and \$35,884 in FY 2020-21 and beyond. These impacts are shown in Table 2 and discussed below.

**Table 2**  
**Expenditures Under SB 19-135**

|   | <b>FY 2019-20</b>  | <b>FY 2020-21</b> |
|---|--------------------|-------------------|
| <b>Department of Personnel and Administration</b> |                    |                   |
| Personal Services                                 | \$25,837           | \$28,186          |
| Operating Expenses and Capital Outlay Costs       | \$5,178            | \$475             |
| CORE System Modification                          | \$920,000          | -                 |
| Vendor Contract Costs                             | \$1,300,000        | -                 |
| Centrally Appropriated Costs*                     | \$7,009            | \$7,223           |
| <b>Total Cost</b>                                 | <b>\$2,258,024</b> | <b>\$35,884</b>   |
| <b>Total FTE</b>                                  | <b>0.5 FTE</b>     | <b>0.5 FTE</b>    |

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

**Department of Personnel and Administration.** The DPA will incur one-time costs in FY 2019-20 to commission a disparity study and to modify existing financial systems to track state procurement contracts. Contracting with a vendor for the study is estimated to cost at least \$1.3 million. System modifications for the Colorado Operations and Resource Engine (CORE) are estimated to cost

\$920,000. The DPA also requires \$38,024 and 0.5 FTE in FY 2019-20 and \$35,884 and 0.5 FTE in FY 2020-21 and beyond to track and maintain information about contracts with historically underutilized businesses. First-year costs shown in Table 2 reflect the General Fund paydate 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. This increase in workload is achievable within existing appropriations.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$7,009 in FY 2019-20 and \$7,223 in FY 2020-21.

### **Effective Date**

The bill takes effect July 1, 2019.

### **State Appropriations**

For FY 2019-20, this bill requires a General Fund appropriation of \$2,251,015 to the Department of Personnel and Administration and an allocation of 0.5 FTE.

### **State and Local Government Contacts**

All State Agencies