



Legislative
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FISCAL NOTE

Drafting Number: LLS 19-0555
Prime Sponsors: Sen. Tate; Bridges
 Rep. Arndt

Date: March 18, 2019
Bill Status: Senate Business
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Bill Topic: PROJECT MGMT COMPETENCIES FOR CERTAIN CONTRACTS

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires that qualified software be used to verify the validity of the hours billed on certain contracts. It also makes changes to the budget submission requirements for major information technology projects. The bill will create an ongoing increase in state expenditures beginning in FY 2020-21.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under SB 19-169

		FY 2019-20	FY 2020-21
Revenue	Total	-	-
Expenditures	General Fund	-	125,000
	Cash Funds	-	175,000
	Total	-	\$300,000
Transfers		-	-
TABOR Refund	General Fund	-	-

Summary of Legislation

Beginning July 1, 2019, the bill requires that qualified software be used to verify the validity of the hours billed on contracts issued pursuant to the state procurement code that are expected to require a contractor or its subcontractor to use a computer and cost at least \$1.0 million. Specifically, contractors are required to:

- procure qualified software from an independent entity;
- use the qualified software to verify that the hours billed on a contract are valid and fulfill the purpose of the contract by:
 - capturing screenshots of activity performed pursuant to the contract at least once every three minutes; and
 - tracking total keystrokes and mouse event frequency of individuals performing work pursuant to the contract.

Contractors are also required to:

- retrieve data recorded from captured screenshots and other tracking upon request and in the format requested;
- store, or contract with another independent entity to store, recorded data for seven years after final payment; and
- provide information that is not private or confidential about employees performing work pursuant to a contract.

The bill also makes changes to the budget submission requirements for major information technology (IT) projects. A major IT project has a specific level of need and manifests either a security risk or an operation risk as determined by a comprehensive risk assessment performed by the Governor's Office of Information Technology (OIT). Major IT projects are reviewed and prioritized for funding by the Joint Technology Committee. The bill requires that a budget submission for a major IT project include a written business case and a change management plan.

Background

The Governor's Office of State Planning and Budgeting publishes budget instructions and forms annually for major IT project submissions. These instructions and forms already require a requesting agency to consider and report a plan for improving business processes and performance and to explain how change management will be implemented as part of a project. The bill formalizes these existing requirements by adding them to law.

State Expenditures

The bill increases state expenditures for future major IT projects by up to \$300,000 a year beginning in FY 2020-21. This fiscal note assumes that for every \$1.0 million in costs for a future major IT project, there will be a corresponding increase of \$10,000 to meet new data tracking and storage requirements in the bill. The three-year average amount appropriated for qualifying major IT projects from General Fund and other cash fund sources is about \$30.0 million per year, including about \$12.5 million General Fund and \$17.5 million from cash funds. Based on this average, the annual state expenditure increase is estimated at \$10,000 x 30 or \$300,000, including

\$125,000 General Fund and \$175,00 from various cash fund sources. These additional costs will be addressed through the regular budget submission process beginning with projects submitted in FY 2019-20 for consideration for funding in FY 2020-21.

Technical Note

Although the bill addresses all contracts issued pursuant to the state procurement code that are expected to cost at least \$1.0 million, this fiscal note only estimates these costs for qualifying major IT contracts.

Effective Date

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

Departmental Difference

For FY 2019-20, OIT estimates that 10.8 FTE and \$2.3 million is required to implement the provisions of the bill for all contracts issued under the state procurement code that are expected to cost more than \$1.0 million. The office plans to develop monitoring software and provide the staff to administer and support data collection and storage requirements. OIT explains that it should provide these services, rather than an independent entity, due to the highly sensitive nature of data in the state's major IT systems. This fiscal note does not include these costs because the bill states that the qualified software must be provided by an independent entity.

State and Local Government Contacts

All State Agencies