


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 12-0492

Date: July 16, 2012

Prime Sponsor(s): Rep. Ryden

Bill Status: Postponed Indefinitely

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TITLE: CONCERNING A STATE ECONOMIC IMPACT RATING AS AN EVALUATION FACTOR IN AWARDING A STATE PROCUREMENT CONTRACT.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue Cash Funds - Economic Impact Rating System Cash Fund	Potential Gifts, Grants, and Donations	
State Expenditures Cash Funds - Economic Impact Rating System Cash Fund	\$68,726	at least \$50,955
FTE Position Change	0.5 FTE	at least 0.5 FTE
Effective Date: The bill was postponed indefinitely by the House State, Veterans, and Military Affairs Committee on February 15, 2012.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill sets forth a process for establishing a rating system to measure a company's economic impact in the state. The system would allow a company to input information about its operations and connections to the state, preferably through online access. This information would then be used to generate a state economic impact rating to be used as an evaluation factor in state procurement contracts awarded through competitive sealed bids.

The bill creates an advisory board to study the feasibility of such a system and requires the Office of Economic Development (OED) to assist the board and develop the system. The OED must notify the Department of Personnel and Administration when the system is operational, and beginning six months later, the system and the ratings it generates are to be used as a factor in evaluating bids. Companies responding to a request for proposals are not required to submit a state economic impact rating.

The system is to be funded from gifts, grants, or donations credited to the newly created Economic Impact Rating System Cash Fund. The advisory board sunsets on July 1, 2016.

State Revenue

State revenue could increase from gifts, grants, and donations, although no such moneys have been identified. Any such moneys would be credited to the Economic Impact Rating System Cash Fund. Based on the costs identified below, the OED would need to receive gifts, grants, and donations totaling \$68,726 in FY 2012-13 and \$50,955 in FY 2013-14.

State Expenditures

Establishing an economic impact rating system for state contractors will increase state expenditures by an estimated \$68,726 in FY 2012-13, including costs for 0.5 FTE. For FY 2013-14, costs are estimated to be \$50,955 and 0.5 FTE, but could be higher if the economic impact rating system becomes operational. Direct costs are shown in Table 1 and described below.

Table1. Expenditures Under HB 12-1112		
Cost Components	FY 2012-13	FY 2013-14
Personal Services	\$33,480	\$33,480
FTE	0.5	0.5
Operating Expenses and Capital Outlay	17,446	14,475
Online Database Development & Maintenance	17,800	3,000
TOTAL	\$68,726	\$50,955

Office of Economic Development (OED). The bill outlines three key steps for establishing an economic impact rating system, all of which require the involvement of OED staff:

- a **feasibility study**, where the advisory board and OED staff will meet with subject matter experts, examine other states and localities, if applicable, and gather data;
- **system development**, where the OED staff will build, test, and refine a model, and potentially gather more data; and
- **implementation**, where the OED is responsible for helping the Department of Personnel and Administration use the rating system.

Members of the advisory board serve without compensation and are not eligible for expense reimbursement. However, staffing and other costs will be incurred whether or not the OED receives sufficient gifts, grants, and donations. Cost estimates in Table 1 include resources for the Office of Information Technology to develop an online system for businesses to input information. The OED and the board must report to the legislature on progress in developing the system.

Other State Agencies. It is assumed that the new rating system would add to the time required to consider bids and award contracts, but actual costs will vary by agency, depending on the specific rating system developed by the advisory board and the number of applicable contracts. It is further assumed that any costs not identified here will be addressed through the annual budget process.

Funding. The only source of funding for the new system is gifts, grants, and donations to the Economic Impact Rating System Cash Fund, but no such moneys have been identified. Further, the General Assembly is prohibited from appropriating any state moneys for the system other than moneys in the fund. Therefore, it is unclear how the bill's requirements will be met if insufficient donations are received.

Expenditures Not Included

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 summarized in Table 2.

Table 2. Expenditures Not Included Under HB 12-1112*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,542	\$1,539
Supplemental Employee Retirement Payments	1,785	2,055
Indirect Costs	1,056	1,056
TOTAL	\$4,383	\$4,650

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

State Appropriations

The bill provides continuous spending authority to the Office of Economic Development for moneys in the Economic Impact Rating System Cash Fund. The Office of Information Technology will require spending authority for \$17,800 in reappropriated funds in FY 2012-13.

Departments Contacted

All Departments