

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated January 17, 2014)

Drafting Number: LLS 14-0351 **Date:** January 27, 2014
Prime Sponsor(s): Rep. Ryden; Gardner **Bill Status:** House Finance
 Sen. Todd; Grantham **Fiscal Analyst:** Alex Schatz (303-866-4375)

SHORT TITLE: PROCUREMENT TECHNICAL ASSISTANCE PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	<u>at least \$30,000</u>	<u>at least \$40,000</u>
<i>Revenue Change</i>		
Cash Funds	at least \$30,000	at least \$40,000
<i>State Transfers</i>		
General Fund	(220,000) ❖	(220,000) ❖
Cash Funds	220,000 ❖	220,000 ❖
State Expenditures	<u>up to \$820,742</u>	<u>up to \$820,869</u>
Cash Funds	up to 418,734	up to 418,734
Federal Funds	up to 400,000	up to 400,000
Centrally Appropriated Costs**	2,008	2,135
FTE Position Change	0.2 FTE	0.2 FTE
Appropriation Required: None. Funds are continuously appropriated.		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

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

❖ The annual transfer of \$220,000 General Fund is subject to partial reversal if gifts, grants, and donations to the Procurement Technical Assistance Cash Fund do not meet or exceed \$200,000. See discussion of state transfers in the State Revenue section.

The fiscal note is revised to reflect information concerning a FY 2014-15 decision item under the proposed budget for the Governor's Office.

Summary of Legislation

This bill establishes the Procurement Technical Assistance Program (PTAP), allowing Colorado to participate in federal procurement technical assistance, with federal funds that match state contributions to a program that follows federal guidelines. The state participates by entering into a contractual partnership between the Office of Economic Development and International Trade (OEDIT) and at least one nonprofit entity that is designated by the federal Defense Logistics Agency to provide technical assistance in Colorado. The state may contract with its contract partner for up to six years.

OEDIT will negotiate its contract with the contract partner in FY 2014-15, no later than September 15, 2014. After entering that contract, the OEDIT will monitor the contractor partner's progress, coordinate with the State Treasury and state budget officials, align Minority Business Office and Small Business Development Center activities with PTAP, hold periodic meetings, and

make PTAP information part of the OEDIT's annual report to the General Assembly. The PTAP contract partner will solicit donations, provide procurement technical assistance, participate in events to inform the business community about PTAP, and make an annual report to the OEDIT on October 1 of each year.

The bill's stated intent is an annual budget of \$800,000 for procurement technical assistance, consisting of \$400,000 each from the state and the federal government. State funds will consist of gifts, grants, and donations totaling at least \$200,000, solicited by the contract partner, and up to \$200,000 in additional cash funds from the new Procurement Technical Assistance Cash Fund (PTACF). The PTACF receives an annual state contribution to PTAP in a transfer of \$220,000 from the state General Fund on each July 1, starting July 1, 2014. Funds in the PTACF are continuously appropriated, and up to \$19,800 (nine percent) of these moneys may be used by the OEDIT for administrative costs in each fiscal year.

State funding for the PTAP beyond its third year (FY 2016-17) may be discontinued by the General Assembly if the contract partner fails to secure at least \$600,000 in total donations, including \$120,000 in cash, by December 1, 2016.

Background

Federal procurement technical assistance. Federal procurement technical assistance is funded through the budget of the Department of Defense (DoD). The Defense Logistics Agency, as part of DoD, awarded \$32.5 million in procurement technical assistance funds in federal fiscal year 2013. These awards are made pursuant to cooperative agreements with states and other agencies, and involve both defense and other federal contracting opportunities.

State enabling legislation. Under House Bill 13-1301, the OEDIT was responsible for the Procurement Technical Assistance Task Force and a contract for procurement technical assistance with federal matching funds. The OEDIT allocated 0.2 FTE to fulfill its obligations under that bill. Under HB 13-1301, the authorization of state involvement in procurement technical assistance was repealed January 1, 2014.

This bill provides additional detail and definition but concerns PTAP activities that are substantially similar in scope to those under HB 13-1301.

Governor's Office FY 2014-15 budget request. Through the FY 2014-15 budget request for the Governor's Office, OEDIT requested continuation funding for the state's Procurement Technical Assistance Center (PTAC). This request assumes the state will continue its PTAP functions and identifies resources identical to those required to implement HB 14-1016. Based on information concerning this bill, the Joint Budget Committee (JBC) staff recommended that the decision item be withdrawn.

State Revenue

The bill increases state revenue by at least **\$30,000 cash funds in FY 2014-15** and **\$40,000 cash funds in FY 2015-16**. In FY 2016-17 and continuing each subsequent fiscal year for the duration of OEDIT's contract with the contract partner, state revenue will increase by \$50,000 in cash funds. New revenues are based on the bill's direction that gifts, grants, and donations secured by the contract partner may include in-kind contributions but must include at least 15 percent cash in the first contract year, 20 percent cash in the second year, and 25 percent cash in the third year.

Assumptions. The fiscal note assumes the state's contract partner is able to meet contractual obligations regarding cash fundraising. In the event that the contract partner fails to raise targeted amounts of gifts, grants, and donations, the fiscal note would be revised to reflect lower state revenues, a lower net transfer from the state General Fund, and the duration of the contract and PTAP may be curtailed as of FY 2016-17.

State transfers. For each fiscal year from FY 2014-15 to FY 2019-20, the state treasurer will transfer \$220,000 from the General Fund to the PTACF on July 1. This annual transfer may be reduced after November 1 of any year if the OEDIT determines that the contract partner has not secured at least \$200,000 in gifts, grants, and donations for that year. In the event of a shortfall, the treasurer will transfer an amount equal to the shortfall under \$200,000 from the PTACF back to the General Fund.

State Expenditures

The bill increases state expenditures in the OEDIT by up to \$820,742 in FY 2014-15 and \$820,869 in FY 2015-16. PTAP costs are primarily to the contract partner, consisting of up to \$800,000 in combined state and federal funds in FY 2014-15 and each subsequent fiscal year for the duration of the PTAP contract. All OEDIT costs are summarized in Table 1.

Table 1. Expenditures Under HB 14-1016		
Cost Components	FY 2014-15	FY 2015-16
PTAP Contract Costs	up to \$800,000	up to \$800,000
OEDIT Administration	\$18,734	\$18,734
Personal Services	\$15,734	\$15,734
FTE	0.2	0.2
Operating Costs - Consulting Services	1,000	1,000
Operating Costs - Conference	2,000	2,000
Centrally Appropriated Costs*	2,008	2,135
TOTAL	up to \$820,742	up to \$820,869

* Centrally appropriated costs include insurance and retirement benefits.

Assumptions. The fiscal note assumes that, based on the recommendation of JBC staff and the repeal of enabling legislation, the FY 2014-15 OEDIT decision item concerning PTAP will not be funded in the Long Bill. If funding for this program is provided through the annual budget process, this fiscal note will be revised to show that no new resources and no new appropriations are required to implement the bill.

PTAP contract costs. Up to \$800,000 in costs for procurement technical assistance are covered by the PTAP each year. Contract costs include consultation with individual businesses, events and materials intended for the business community, and coordination among economic development organizations and state agencies. Expenditures are evenly split between state funds and federal funds, therefore any reduction of spending on PTAP contract costs below \$800,000 will be apportioned equally between state and federal contributions.

OEDIT administration. A program manager currently on the OEDIT staff and conversant in PTAP will carry out the OEDIT's duties under the bill. The fiscal note provides for continued allocation of this manager to the program at 0.2 FTE, with an annual salary of \$70,496. Implementation of the PTAP contract also requires OEDIT to obtain occasional outside consulting services (accounting, procurement support) and attend an annual national conference on federal procurement practices.

Effective Date

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

State Appropriations

The bill does not require an appropriation. State expenditures from the PTACF are continuously appropriated.

State and Local Government Contacts

Treasury
Governor

Office of Economic Development and International Trade
Personnel and Administration