

COST COMPARISON INSTRUCTION SHEET
(CONTRACTS THAT IMPLICATE THE STATE PERSONNEL SYSTEM)

Introduction

C.R.S. 24-50-503 permits contracting of services that have commonly and historically been performed by state personnel, provided the contracting agency can clearly demonstrate the contract will result in overall cost savings and that the estimated savings will not be eliminated by contractor rate increases (CRS 24-50-503 (1)(a)).

The following is a guide for completing the *Cost Comparison Worksheet*. This worksheet is required for determining In-House Performance versus Contract Performance costs for services historically and presently performed by state employees, which would result in a contract that implicates the state personnel system.

The instructions cover, in order, the 13 sections that require completion.

The *Cost Comparison Solicitation Instructions* is included in this packet for solicitations that implicate the state personnel system. This language must be utilized to notify potential contractors about the cost comparison expectations and to receive necessary data.

The cost comparison must reflect anticipated savings over the life of the contract. For instance, if the contract period is for five years with one-year renewal options, the savings forecast must be for the duration of the contract (maximum five years, unless a longer term has been approved by the State Purchasing Director in accordance with the Procurement Rules).

In-House Performance Cost

Complete this in-house cost estimate before award. To preserve the integrity of the competitive bidding process, this analysis must be completed before opening and evaluating the cost portion of any proposals.

1. **Direct Labor**

All current FTE salaries should be included in the calculation. For example, if the program currently operates with supervisors/managers, clerical staff, professional staff, etc., the current rate of pay of each position is included in the equation. If positions are vacant, labor cost is based on the entry-level or the typical hiring rate, as established in the state's compensation plan. Written justification is required for salaries above the minimum hiring rate. For years beyond the current year of performance, use the state's annual compensation report or the Employment Cost Index (ECI) for projecting FTE overall salaries for subsequent years.

For current pay rates please access the DPA/DHR website at <http://colorado.gov/dpa/dhr/compplan>.

2. **Cost of Benefits**

Benefit costs include medical, dental, life insurance, disability, and retirement premiums. In calculating the total sum of benefits, multiply the total state labor cost (or current budget guidance) by 36% (total labor cost X 34% = sum of benefits).

3. **Indirect Overhead Cost**

“Indirect overhead cost” means the pro-rata share of existing administrative salaries and benefits, rent, equipment cost, utilities, and materials (CRS 24-50-503 (1)(a)(II)). In comparing cost, do not include the state’s indirect overhead costs unless the cost can be attributed solely to the function in question and would not exist if that function was no longer a service provided by the state. For example, if a program uses 2500 square feet and because of the contract, that space is no longer needed or redeployed to other programs, the indirect cost is counted. However, if the program retains the space, then the cost shall not be included.

For FTE that support program functions not directly related to the program, indirect savings can only be counted if the pro-rata shares of those costs are going to be eliminated or absorbed by another program. Example, 10% of an individual’s time is spent on purchasing requests. If the FTE decreases to 90% or another program is absorbing the cost, the savings can be included. If, however, the contribution to salary cannot be proven, the cost cannot be included.

If the state will continue to bear some or all of the cost for the function in question, then the cost should not be included in the state’s calculation.

4. **Direct Cost**

Direct costs are cost items that are 100% chargeable to a target service. Direct costs include, but are not limited to, travel, per diem, equipment, materials, etc.

5. **Total In-House Cost**

Add items 1 through 4 to achieve the sum total of in-house cost per year.

Contract Performance Cost (Personal Services Contract)

The *Cost Comparison Solicitation Instructions* must be included in any solicitation that implicates the state personnel system and an example of the *Cost Comparison Worksheet*.

6. **Contract Cost/Price**

Contract cost/pricing is the total sum of the contractor’s bid for providing the service.

7. **Other Known Reimbursable Cost**

Other reimbursable costs include but are not limited to travel, per diem, equipment, materials, etc., or anything not included in the contract price.

8. **Cost For Health Insurance**

CRS 24-50-503 (1)(a)(IV)) requires that any savings to the state attributable to lower health insurance benefits provided by the contractor must be excluded. The state’s contribution towards health benefits for an employee plus spouse is \$733.24 per month. Therefore, if the contractor’s contribution is less, the difference between the state and contractor’s contribution is added on line 8. If the contractor’s contribution is higher, enter zero. For example, if the contractor’s cost for health benefits per family is \$610.00, the difference of \$123.24 x the number of proposed contract FTE, multiplied by 12 months, shall be computed. If the contractor’s contribution is \$811.00, enter zero.

To verify current State contribution rates please see the DPA/DHR benefits website at <http://colorado.gov/dpa/dhr/benefits>; click on the Insurance Premiums link.

9. **Continuing State Oversight Cost**
Include any continuing state costs that would be directly associated with the contracted function. These costs include, but are not limited to, inspections, oversight and monitoring (CRS 24-50-503 (1)(a)(III)). To calculate the oversight cost, assume that the number of FTE to perform contract administration, monitoring, and oversight will be 5% of the total number of FTE proposed by the contractor. Utilizing a percentage different from 5% for contract administration, monitoring, and oversight must be justified in writing. Use the state's direct labor cost and rate for cost of benefits for personnel expected to perform the contract administration. For example, the # of FTE per contractor's proposal x 5% = # of FTE needed for state contract administration. Use the State total yearly FTE Salaries + 36% benefits = state oversight cost. If it is determined that three state FTE are needed for contract oversight, i.e., GP I, II and III, use the total yearly state salaries plus the 36% for benefits and this will equal the total state contract oversight cost for the year.
10. **Sum Total Contract Cost**
Add items 6 through 9 to achieve the total contract cost per year.
11. **Total In-House Cost**
Enter item 5, Sum Total In-House Cost.
12. **Total Contract Cost**
Enter item 10, Sum Total Contract Cost.
13. **Total Cost Savings**
Subtract item 5 from item 10. This equals total contract savings.

All supporting documentation for the cost comparison must be submitted for review. This includes:

1. All FTE salary and computations to support direct labor cost.
2. Budget request(s) that supports the indirect cost.
3. Reimbursable costs.
4. Direct cost breakdown.
5. Contractor cost breakdown.
6. Supporting documentation for contractor health insurance cost.
7. Supporting documentation on state oversight cost that includes salaries, inspection, oversight, and monitoring.

APPENDIX A

Cost Comparison Solicitation Instructions

An award of this contract implicates the state personnel system because state employees presently perform the function. In accordance with section 24-50-503 C.R.S., Colorado Revised Statutes, an award can only be made if the state personnel director determines that the contracting agency has clearly demonstrated that the proposed contract will result in overall cost savings to the state and that the estimated savings will not be eliminated by contractor rate increases during the term of the contract.

The state's cost shall be determined before the award decision and will include salaries and benefits of state staff that would be needed, the costs of space, equipment, and material needed to perform, as well as some indirect overhead costs attributed solely to the function in question. Costs associated with inspection, supervision, and training is considered.

This solicitation contains specific provisions pertaining to the qualifications of the contractor staff that will perform the work under the contract. While the state does not limit the offeror's ability to assign or reassign personnel during the period of contract performance, past experience, qualifications, and education of the key individuals represents a contractual commitment by the offeror to retain comparably skilled and qualified individuals on the project during its performance. The state reserves the right to approve such personnel changes.

To permit the cost comparison analysis, the contractor must provide the following information with the proposal submission.

1. Unless shown elsewhere in the proposal response, specify the number of full-time employees (FTE) who will perform labor in performance of this agreement:_____.
2. Ensure that any reimbursable cost elements that are not included in the total price/cost are clearly identified. Categories of reimbursable expenses not fully disclosed shall not be allowed. Unless justification is provided otherwise, contractor reimbursable costs associated with analogous government costs (e.g. travel and per diem when the contractor agrees to state travel/per diem reimbursement rates) will be deemed equivalent.
3. C.R.S 24-50-503(1)(a)(IV) requires that cost savings be adjusted to account for lower health insurance benefits provided by contractors.
 - Specify the name of the group medical benefit plan provided by the contractor. For purposes of this disclosure, a "group medical benefit plan provided by a contractor", means any third party-provided group medical benefit plan for medical benefits that includes, but is not limited to, hospital room and board, other hospital services, certain out-patient benefits, maternity benefits, surgical benefits, in-hospital medical care, diagnostic X rays, laboratory benefits, physician services, prescription drugs, mental health, substance abuse services and dental plans. Provide the plan administrator name and telephone number who can provide a plan description.
 - Provide the maximum amount of employer contribution per family rate under the plan: \$_____