



## Proposed Fiscal Rule Updates – Regulatory Analysis

This regulatory analysis is created in response to a request from an interested party.

### Classes of Persons Affected:

As stated in the “Applicability” section of the rules, the Fiscal Rules apply only to employees of State Agencies and Institutions of Higher Education. The Fiscal Rules also apply to contracts entered into by the State, and so will impact the payment structures or content of those contracts with external vendors, but the actual content of any specific contract will ultimately be determined by the negotiation between the state and the contractor. Because of this, State employees will both bear any burdens of these rules and gain the benefits of these rules.

### Probable Quantitative and Qualitative Impacts:

These Proposed Fiscal Rules are an update of the existing Fiscal Rules and are being proposed to streamline and clarify existing requirements, align the Fiscal Rules with new state and federal laws and requirements (including the Procurement Modernization Act), and align the Fiscal Rules with current processes and systems (including systems like the Colorado Operations Resource Engine). While this may result in additional staff time being spent in the short term on learning the new requirements in the Fiscal Rules, the streamlined processes are likely to reduce confusion and time spent on administrative compliance in the future allowing staff to spend more time on other work. Additionally, the updated rules will reduce the need for approximately 10 to 20 fiscal rule waivers statewide, which will reduce the workload at both the agencies and in the OSC in creating, reviewing, and approving those documents. The increase in the limits for purchase orders should reduce workload on approximately 2% of the state’s contracts that may now be purchased using a less time intensive purchase order process. Finally, the inclusion of updated state and federal requirements in the Fiscal Rules will allow agency controllers to more easily ensure compliance with those requirements without confusion from agency staff about what is required.

### Probable Costs of Implementation and Enforcement:

While many of the requirements were modified as described above, the vast majority of those requirements already exist in the current Fiscal Rules and so it would not result in any additional cost to implement the updated Fiscal Rules. Also, because the updates to the Fiscal Rules are designed to streamline and clarify rules, and align the Fiscal Rules with current laws and procedures, the cost of enforcement will likely drop as there will no longer be a need to spend time resolving conflicts between the rules and laws or providing waivers to the rules to align them with current system processes. The Office of the State Controller has already determined that the time it will take to assist agencies with learning any new requirements with the new rules will be outweighed by the increased efficiencies to both the OSC and other state agencies and IHEs using the Fiscal Rules.

### Comparison of Costs and Benefits:

The anticipated labor costs related to these Fiscal Rule Updates are likely to be short term while agencies and institutions familiarize themselves with the new and clarified requirements. The long

term efficiencies realized by the agencies should significantly outweigh the initial labor costs, resulting in an overall increase in efficiency in complying with the Fiscal Rule requirements. If the state does not act, then the current Fiscal Rules will remain in effect and this will result in the inefficiencies described above as well likely resulting in audit findings from state and federal auditors because the Fiscal Rules will not be aligned with current state and federal laws and requirements nor will they be aligned with the processes of current systems.

#### Determination of Less Costly Methods:

These updates are designed to reduce the burden of the current Fiscal Rules on state agencies, and so the proposed Rules will be less costly in state staff time than compliance with the current Fiscal Rules are. Because these rules are required by §24-30-202, C.R.S., there is no option to repeal them in their entirety, and these rules were created in conjunction with agency and IHE controllers, budget directors, and procurement officials from throughout the state specifically to minimize the unnecessary burdens and costs associated with complying with the Fiscal Rules.

#### Determination of Alternative Methods:

Because the Fiscal Rules are currently in effect, there are very few available alternative methods of achieving the purpose of this rule that could be considered. Repealing the Fiscal Rules altogether would not be allowable under §24-30-202, C.R.S., and so was not considered. Because of the inefficiencies and confusion caused by the requirements of the current Fiscal Rules, it would create a greater risk of audit findings and non-compliance just leaving the Fiscal Rules as-is and using waivers to resolve those issues, and so this option was rejected because of that risk. The final option was to develop a different version of the requirements in the Fiscal Rules, and many such variants were reviewed by the working groups that collaborated on the development of these rules, but the working groups agreed that the ones presented in the proposed Fiscal Rules were the most effective and efficient.