

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◊ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-5270

AN ACT PROHIBITING BID SHOPPING.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 19 \$ | FY 20 \$ |
|--|-----------------------------|-----------|-----------|
| Dept. of Administrative Services | GF - Cost | 215,000 | 225,000 |
| Consumer Protection, Dept. | GF - Cost | 136,000 | 136,000 |
| State Comptroller - Fringe Benefits ¹ | GF - Cost | 127,500 | 131,500 |
| Consumer Protection, Dept. | GF - Potential Revenue Gain | See Below | See Below |

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires the Department of Administrative Services (DAS) to develop new procedures and contract documents revolving around prohibiting bid shopping, or contractor auctioning subcontractor work, after a construction contract has been awarded. Under the bill, DAS will need to revise prequalification classifications, bid forms, and various procedure manuals.

DAS would need to hire three positions (an Architect, a Staff Attorney, and a Paralegal Specialist) at a cost of \$215,000 in FY 19 and \$225,000 in FY 20 (plus fringe benefits of \$78,000 in FY 19 and \$82,000 in FY 20) to handle the requirements.

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.33% of payroll in FY 19 and FY 20.

The Architect position will review and confirm that there are separate plans and specifications for each of the listed subcontractors and identify the scope of work within each classification. The Staff Attorney and a Paralegal Specialist would be dedicated to drafting regulations, developing new procedures, revising contract documents and reviewing bids to determine if the prospective contractor meets the revised criteria.

Current computer or software systems will need to be upgraded to develop and maintain a centralized structure to gather and maintain subcontractor data. Consultant costs may be necessary to assist in upgrading systems to improve on the reporting requirements necessary due to the revisions in the contract award process.

The bill requires the Department of Consumer Protection (DCP) to investigate allegations of bid shopping and results in a cost to the state and a potential revenue gain. DCP does not currently oversee these violations and would need to hire a Lead Special Investigator (\$63,215 salary and \$22,966 fringe benefits) and a Staff Attorney I (\$72,786 salary and \$26,443 fringe benefits) to investigate violations and prosecute cases. To the extent that bid shopping occurs, this bill results in a potential revenue gain to the state from fines of between \$5,000 and \$20,000.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.