

OFFICE OF FISCAL ANALYSIS

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sHB-5418

AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE
STATE CONTRACTING STANDARDS BOARD.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Higher Education Constituent Units	Various - Cost	Up to \$6.5 million	Up to \$6.8 million
Governmental Accountability, Off.	GF - Cost	223,907	324,141
State Comptroller - Fringe Benefits ¹	GF - Cost	88,400	132,158

Note: Various=Various; GF=General Fund

Municipal Impact: None

Explanation

Sections 1 through 3 require purchasing agencies to apply to the State Contracting Standards Board (SCSB), instead of the OPM secretary, for PSA waivers, and receive said waivers from SCSB. These sections also restrict the SCSB's waiver authority, and allow SCSB to adopt guidelines for determining the types of PSA services that may qualify for such waivers. Finally, these sections allow bidders and proposers to contest the solicitation or award of a PSA for which SCSB grants a waiver.

The SCSB will need to hire a Chief Procurement Office (CPO) at a cost of \$86,174 in FY 20 (partial year) and \$125,297 in FY 21(full year),

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 41.19% of payroll in FY 20 and FY 21.

plus associated fringe benefit costs of \$34,219 and \$51,158, respectively. The CPO will be responsible for reviewing such PSA contracts and determining if such contract qualifies for a waiver, as well as posting any waiver requests received on the state contracting portal.

Section 4 results in a cost to the higher education constituent units of up to \$6.5 million in FY 20 and \$6.8 million in FY 21. The bill subjects the constituent units to the SCSB's authority and the procurement statutes for other state agencies. The bill would tighten contracting requirements for the constituent units, by among other things requiring the units to seek SCSB approval for a waiver of competitive bidding (or the units to engage in competitive bidding) for each minor purchase and applying state agency procurement statutes to special types of contracts currently exempted from typical constituent unit contracting requirements (e.g., purchasing as part of an industry partnership). The constituent units would require up to 40 additional Contract Specialists to comply with the state agency procurement statutes. The additional personnel costs are: (1) salary costs totaling approximately \$3.3 million in FY 20 and \$3.5 million in FY 21, and (2) fringe benefits costs of up to \$3.2 million in FY 20 and \$3.4 million in FY 21.² Funding may come from state General Funds and the Office of the State Comptroller, or from the constituent units' own funds (e.g., operating funds from tuition revenue).

The bill may also result in higher contracting costs, lower revenue for industry partnerships and revenue-generating contracts, and contracting delays for the constituent units. For context, in FY 18 the University of Connecticut executed an estimated 1,600 contracts totaling \$475 million, and in FY 19, the Board of Regents is projected to spend approximately \$270 million on contracts. The special types of contracts currently exempted from constituent unit contracting

² The fringe benefit costs for employees funded out of non-appropriated funds are charged to those funding sources, as opposed to the fringe benefit accounts within the Office of the State Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes for non-appropriated fund employees is 97.18% of payroll in FY 20 and FY 21. The fringe benefit impact reflects an upper limit as the funding source for additional personnel is unspecified.

requirements but that under the bill would be treated as normal state contracts had a total value across the constituent units of approximately \$200 million in FY 16.

Section 5 adds a certification requirement to the procurement and project management education and training program that SCSB must develop and administer under current law, requiring employees with procurement responsibilities in state contracting agencies to achieve certification from the program, rather than only participate in it as current law requires.

The SCSB will need to hire one Trainer at a cost of \$51,559 in FY 20 (partial year) and \$73,547 in FY 21 (full year), plus associated fringe benefit costs of \$19,961 and \$29,842, respectively. The Trainer would be responsible for aiding in the certification requirement to the procurement and project management education and training program.

Sections 6 and 7 of the bill require SCSB to appoint a chief procurement auditor (CPA). The SCSB will require funding of \$86,174 in FY 20 (partial year) and \$125,297 in FY 21 (full year), plus associated fringe benefit costs of \$34,219 and \$51,158, respectively, to hire one CPA. The CPA would be responsible for: 1) establishing procedures for monitoring the financial and cost provisions of contracting regulations, 2) establishing an anonymous hotline to receive procurement complaints, 3) investigating complaints, 4) measuring and reporting annually on procurement process improvements, and 5) conducting triennial audits of state contracting agencies to ensure compliance with procurement related statutes and regulations.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. It is anticipated that restricting the PSA waiver authority will lead to more PSAs being competitively bid, which may result in savings to the State in the out years.