

Analysis of New Authorizations  
for the General Bonding Subcommittee

**Addendum**

March 24, 2015

9:45 AM



**OFFICE OF FISCAL ANALYSIS**

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## **I. Hearing Schedule**

The attached information was developed by OFA staff members for the legislative members of the GO Bonding Subcommittee.

### **General Bonding Subcommittee Hearings on Tuesday, March 24, 2015**

<b>Time</b>	<b>Agency</b>	<b>Analyst</b>	<b>Page</b>
10:45 - 11:15	Department of Administrative Services	William Craven	2

## Department of Administrative Services

OFA Analyst: William Craven

Description	Unallocated 3/18/15 \$	Proposed FY 16 \$	Proposed FY 17 \$
<b>Agency Projects</b>			
Development of a supplier diversity data management system	-	400,000	-
Alliance districts - Grants-in-aid to Alliance districts to assist in paying for general improvements to school buildings	-	50,000,000	50,000,000

**Grants-in-aid to Alliance districts to assist in paying for general improvements to school buildings** (no unallocated bond balance; \$50,000,000 in each of FY 16 and FY 17 proposed by the Governor)

**Question:** *How will these funds be used? Will Alliance school districts have to submit applications for funding or does DAS already have a list of projects for each of the 30 Alliance school districts?*

*DAS response:* The agency is working with the State Department of Education to understand lessons learned from similar programs to create a new, efficient and cost-effective \$50,000,000 school construction grant program for the Alliance districts.

**Development of a supplier diversity data management system** (\$400,000 proposed in FY 16 by the Governor)

**Question 1:** *What is the purpose of this project? Why is it necessary?*

*DAS response:* Purchasing and implementing a Diversity Data Management System (“DDMS”) across state government contracting entities will enable the State of Connecticut to consistently capture and maintain accurate, reliable information about the State’s contracting practices and outcomes and to ensure agency compliance with state and federal law. Collecting and maintaining accurate, comprehensive data is not only necessary to complete a valid Disparity Study (which the State has not conducted in nearly 30 years), but also to enable the State to continuously evaluate, manage and report on the State’s utilization of small- and minority-owned businesses throughout its procurement programs.

The State currently has a Set-Aside / Supplier Diversity law (C.G.S. § 4a-60g) that requires state agencies and institutions to make good faith efforts to set aside at least 25% of its spend for “small business enterprises” (“SBEs”), and at least 25% of that (i.e. 6.25% of its spend) for “minority business enterprises” (“MBEs,”) which by statute, includes women-owned businesses. There have been numerous efforts in recent years

to modify the Set-Aside thresholds and/or definitions. However, in order for such a program to pass Constitutional muster (as, generally speaking, all state action and decisions must be race- and gender-neutral), the State must show that it has a *compelling interest* in developing/maintaining a set-aside program for state contractors, and that the program is *narrowly tailored* to fix the problems that the state is trying to address. Specifically, to justify a Set-Aside program, the State must have data that shows that there is a disparity between (1) the number of women- and/or minority-owned firms “available” to provide a particular good or service and (2) the number of women- and/or minority-owned firms chosen to provide the good or service.

Currently, the State of Connecticut lacks a systematic, comprehensive method of collecting and maintaining data relating to how the state agencies and institutions choose contractors, and the state dollars that flow to contractors and their subs. This data is currently maintained in a variety of state systems, and – particularly with regard to subcontractor data – is not collected electronically in a sufficient manner.

It is critical for the state to collect and maintain this data in a uniform, comprehensive, easy-to-use manner so that the State can (1) conduct a valid Disparity Study to ensure the constitutionality of the State’s Set-Aside program; and (2) continuously evaluate, manage and report on the State’s utilization of small- and minority-owned businesses throughout its procurement programs. Purchasing and implementing a DDMS throughout the state agencies and institutions will achieve these goals.

**Question 2:** *Please describe the supplier diversity data management system. How will it work? Who will use it?*

*DAS response:* The DDMS will uniformly capture data and provide comprehensive reports relating to the award of and payments associated with all state contracts, including horizontal and vertical construction contracts, and contracts for goods and services.

All state contracting agencies, including the colleges and universities, must be required to use this system.

The contracting agencies will be required to collect and enter into the DDMS the following information for all contracts:

- Name, address, SBE/MBE status of each bidder/proposer;
- Name, address, SBE/MBE status of company or companies that win the award;
- Data regarding the competitive selection process and why companies were or were not selected;
- Anticipated contract value;
- Name, address, SBE/MBE status of subcontractors chosen by contractor(s)
- Contract payments provided to chosen vendor(s)
- Payments provided by vendor(s) to subcontractors.

- Validates subcontractor (actual) payments and compares with goals.

Depending on the nature of the contract, there may be other data that agencies will need to capture.

The DDMS will then be able to interface with all of the State's financial systems (Core-CT, UCONN's Quali Financial system) and the P-card program to serve as a central repository for disparity study data, including validating contractor and subcontractor actual payments and comparing agencies', contractors' and subcontractors' spend with goals.

**Question 3:** *Who will develop the system – DAS-BEST or a consultant?*

*DAS response:* The agency is exploring the feasibility of piggybacking off of an existing New York State contract to purchase a DDMS (hardware, software and maintenance services) that has the needed components and has been highly recommended by other State and municipalities. If that is not possible, DAS will need to issue a Request for Proposal to purchase a DDMS. Regardless of piggybacking or separately soliciting competitive proposals, the State will require a dedicated project team consisting of technology experts and business experts to work with the selected software vendor to establish the system goals and implementation requirements. A consultant or an expert from DAS-BEST may be needed to lead or spearhead this effort. Based on feedback from other states and cities who have implemented such a system, a twelve – eighteen month timeframe from contract execution will be needed to administer this effectively.

**Question 4:** *Is there any future General Fund operating cost associated with the system - to administer and update it?*

*DAS response:* Yes, in addition to the \$400,000 needed to acquire and implement the DDMS for which DAS is seeking bond funds, it is anticipated that there will be a maintenance expense of \$250,000, which will be a General Fund operating cost.