

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # -2196/2

INTRODUCTION # AB 727

Admin. Rule #

Subject

Reimbursement to lowest bidder for state construction work if the lowest bidder is not awarded contract

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.505(1)(kc)

Assumptions Used in Arriving at Fiscal Estimate:

The bill requires DOA to compensate the lowest bidder of a state building construction project if that lowest bidder is not chosen and the contract is given to a minority business. Compensation by DOA will cover all costs by the lowest bidder relating to their out-of-pocket expenses in creating the bid package.

The Division of Facilities Development (DFD) is the division responsible for requesting and awarding bids for state construction work. State law says that DFD may award a contract to a higher bidder if that business is a minority operated business, and if the bid is within 5% of the lowest qualified bid. Annually, DFD awards 500-600 contracts. Of this amount, DFD receives approximately 35 minority businesses bids. However, of the 35 minority-based businesses that bid, only 3-5 are within the 5% variance rule. On average, minority-owned businesses are awarded 10 contracts because they are the lowest qualified bidder, and approximately 1-2 contracts are awarded to minority-owned businesses using the 5% variance rule.

Since DFD would have to compensate private contractors for their time in developing the bids, should that qualified bidder not be awarded the contract, DFD estimates it takes each contractor an average of \$1,500 to create the bid package. Given this amount, and given the number of times a minority business is awarded a contract using the 5% variance rule, DFD would have to pay around \$3,000 per year. This can be absorbed within base resources.


The bill also states that DOA must create a form that a contractor may use to identify all reasonable costs to be reimbursed. This form can be created using existing staff, and the auditing of the form once submitted by the contractor can also be performed using existing staff.

Long-Range Fiscal Implications:

Prepared By: / Phone # / Agency Name

Ryan Gill
266-6497
Division of Administrative Services
Department of Administration

Authorized Signature / Telephone No.


Charles E. McDowell
Division Administrator
267-3836

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