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Fiscal Note

Drafting Number: LLS 22-0706 **Date:** April 8, 2022
Prime Sponsors: Sen. Bridges; Priola **Bill Status:** Senate Business
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Bill Topic: **PROCUREMENT OF INFORMATION TECHNOLOGY RESOURCES**

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill updates information technology procurement processes and makes additional resources available for information technology capital assets. It increases state expenditures and creates an annual transfer on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was recommended by the Joint Technology Committee.

Table 1
State Fiscal Impacts Under SB 22-191

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	-	at least \$9.6 million
	Total Expenditures		at least \$9.6 million
Transfers	General Fund	-	(\$1.5 million)
	Cash Funds	-	\$1.5 million
	Net Transfer	-	\$0
Other Budget Impacts		-	-

Summary of Legislation

The bill updates the process for information technology capital procurements by requiring the Office of Information Technology (OIT) to initiate procurements on behalf of state agencies, unless an agency has obtained prior approval from OIT, and by specifying that contracts for software licensing for certain products does not restrict the use of hardware. The bill also makes the Technology Risk Prevention and Response Fund continuously appropriated to OIT, authorizes the office to contribute money to the fund from operations and maintenance fees, and requires that any unspent funds from information technology capital improvements that were appropriated from the General Fund be transferred to the cash fund after each fiscal year, rather than revert back to the General Fund.

Beginning for FY 2023-24, OIT must annually calculate the annual depreciation-lease equivalent, which is an amount for refresh and replacement of existing information technology capital assets, a fraction of which (0.25 percent) is appropriated to OIT from the General Fund and credited to the Technology Risk Prevention and Response Fund.

Beginning in FY 2022-23, any appropriation for an information technology capital budget request must include an additional amount equal to 10 percent of the cost of the asset to be used for future replacement of the asset. Each June 15, beginning in 2023, OIT must submit a report to the Office of State Planning and Budgeting regarding these payments.

State Revenue

The modifications to the procurement process may decrease spending and associated administrative fees received by the Supplier Database Cash Fund used by the State Procurement and Contracts Office in the Department of Personnel and Administration by redirecting those fees to the Technology Risk Prevention and Response Fund for use by OIT. This potential revenue change has not been estimated.

State Transfers

Beginning in FY 2023-24, the bill requires a transfer from the General Fund to the Technology Risk Prevention and Response Fund in an amount equal to the prior year's unspent appropriations on information technology procurements. The transfer is estimated at approximately \$1.5 million per year, but may vary considerably as these cost savings accrue on a per-procurement basis.

State Expenditures

The bill increases state General Fund expenditures by at least \$9.6 million beginning in FY 2023-24, for annual depreciation-lease equivalent payments, information technology capital projects, and risk prevention.

Annual depreciation-lease equivalent payments. OIT estimates the net book value for all information technology equipment at \$3.84 billion, which corresponds to a payment of \$9.6 million in FY 2023-24. The payment in future years will depend on how much existing assets depreciate and the value of new assets acquired. This payment will be assessed on all agencies through the annual budget process through common policies.

Information technology capital projects. The bill increases the cost of future information technology capital projects by increasing the cost of procurements by 10 percent. This may increase state expenditures, or it may decrease the number of such projects appropriated each year, depending on the availability of funds and choices made by future General Assemblies.

Risk prevention. The transfer of the previous year's procurement reversions increases the balance of the Technology Risk Prevention and Response Fund, which is available to OIT for responding to emergencies, ensuring compliance with the office's standards, and preventing risk from information technology debt. To the extent additional funds become available, expenditures in OIT will increase from the fund, depending on emerging needs.

Department of Personnel and Administration. The department will be required to adjust allocations to state agencies through common policies, as well as manage additional billing to OIT. Overall, this workload can be accomplished within existing resources.

Workload in DPA may also decrease to the extent that certain information technology procurement work shifts from the state procurement office in DPA to OIT. It is assumed that any change in appropriations from through the Supplier Database Cash Fund to DPA will be adjusted through the annual budget process, if necessary, based on any change in workload that occurs.

All state agencies. Workload may increase for state agencies to coordinate with OIT; however, it is assumed that state agencies already coordinate information technology procurement in collaboration with OIT.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

All State Agencies