

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Office of Economic Development and International Trade
 Request Title: Procurement Technical Assistance Center
 Priority Number: R-5

Dept. Approval by: 16 THW. ZL (10/24/13)
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

OSPB Approval by: Grand W. Bush 10/25/13
 Date

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	5,222,795	-	2,092,280	220,000	220,000
	FTE	4.0	-	4.0	-	-
	GF	5,144,279	-	2,013,764	220,000	220,000
	GFE	-	-	-	-	-
	CF	78,516	-	78,516	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
Economic Development Commission- General Economic Incentives & Marketing	Total	5,222,795	-	2,092,280	220,000	220,000
	FTE	4.0	-	4.0	-	-
	GF	5,144,279	-	2,013,764	220,000	220,000
	GFE	-	-	-	-	-
	CF	78,516	-	78,516	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Colorado Innovation Investment Tax Credit

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments:

Other Information:



COLORADO

Office of Economic Development
and International Trade

Priority: R-5
Procurement Technical Assistance Center
FY 2014-15 Change Request

Cost and FTE

- This request is for \$220,000 General Fund for FY 2014-15 and beyond to support the continuation of the Procurement Technical Assistance Center (PTAC) program. This is the same level of funding as provided in FY 2013-14 and no FTE is required.

Current Program

- The Office of Economic Development and International Trade (OEDIT), through the Economic Development Commission (EDC), funded PTAC (a 501(c) (3) organization) approximately \$250,000 annually for four years through FY 2012-13. The PTAC provides technical assistance in obtaining government contracts to both contractors and subcontractors, from a small subcontractor that supplies cleaning services to a large defense contractor (such as Raytheon) that handles major federal contracts. Industry areas include aerospace or high-tech, industries that drive the creation of new jobs.

Problem or Opportunity

- The opportunity that this request addresses is how to continue to provide the technical assistance to Colorado businesses in obtaining federal, state and local government contracts that will enable those businesses to create jobs and generate additional tax revenues. Due to the intense competition among states to obtain government contracts, virtually all other states provide public funding for their PTACs. In addition to the above advantages of maintaining a PTAC, the State will be matched 3 to 1 with federal and locally-raised funds.

Consequences of Problem

- Without the PTAC, jobs created and retained from Colorado businesses obtaining government contracts will decrease, and tax revenues associated with those jobs created and retained would also decrease for the State. If the request is denied, Colorado businesses will be at a notable disadvantage in obtaining government contracts compared to businesses in other states that have access to PTACs and the State will lose out on the opportunity to leverage federal funds.

Proposed Solution

- The proposed solution is to maintain PTAC in Colorado to ensure that Colorado businesses have an equal opportunity to compete for government contracts with businesses from other states. As a result of the PTAC investment, jobs created and retained will continue to grow and Colorado businesses will maintain the same level of technical assistance opportunities to obtain government jobs, based on prior years of experience.

FY 2014-15 CHANGE REQUEST
Priority: R-5 Procurement Technical Assistance Center
Request Detail

Problem or Opportunity:

The opportunity that this request addresses is how to continue to provide the technical assistance to Colorado businesses in obtaining federal, state and local government contracts that will enable those businesses to create jobs and generate additional tax revenues. Virtually all other states are maintaining Procurement Technical Assistance Center (PTAC) programs due to the intense competition among states to obtain government contracts. As a result, virtually all other states provide public funding for their PTACs. State funding is combined with private funding and used as a match to receive federal funding. The Office of Economic Development and International Trade (OEDIT), through the Economic Development Commission (EDC), has funded Colorado's PTAC (a 501(c)(3) organization) approximately \$250,000 annually for four years.

In FY 2013-14, \$215,000 in funding was provided through H.B. 13-1301, which replaced the EDC allocation. For this (FY 2014-15) request and beyond, the PTAC taskforce will hold meetings in the second half of this calendar year and will examine the PTAC services delivery system and funding mechanism to determine which system is the most efficient, effective, and sustainable in future years. Virtually all other states fund their PTAC's in an ongoing manner.

Background

The Federal PTAC program was established over twenty years ago. The cycle of the federal grant is that a base year is awarded with two one-year options offered to the recipient. These Federal PTAC grants may be up to \$600,000 per year per recipient. The options are confirmed on an annual basis based on the PTAC's performance and ability to meet Federal compliance requirements. The Colorado PTAC has received a very good rating in both areas.

In maintaining a PTAC for the State of Colorado, OEDIT generates additional jobs and retains jobs that would be lost without the PTAC. If government contracts are not awarded, some companies will be forced to reduce their work force. This aligns with the goal of the Department to create new jobs and links to the Department's Performance Plan. Estimating the actual economic impact of a PTAC program is difficult. For example, the Defense Logistics Agency's (DLA) formally published federal standards for computing new and retained jobs per year to measure the effectiveness of the services being provided. Per these standards, for every \$50,000 of government contract awards received by a business that has been assisted by the PTAC, one job has been created or retained for one year. The DLA standards include any contract awarded to a client that the PTAC has provided service to in the last 12 months in this calculation, even if the PTAC played a minimal role in the specific contract award. Using this measure, in Colorado over the last four years the PTAC has contacted companies that have averaged in total approximately one billion dollars in awards per year thus creating or retaining approximately 20,000 jobs per year. Although the PTAC supports many jobs by providing their counseling to various companies per the federal standards, in reality, fewer can be fully attributable to PTAC.

Therefore, OEDIT has chosen to adopt a more conservative approach for measuring results. Based on anecdotal client responses over the past four years, OEDIT estimates that 20% of the contract awards received by Colorado clients served by the PTAC are attributed to the specific services provided by the PTAC. An even more conservative estimate would be to assume that only 5% of contract wins by PTAC clients are due to PTAC services which implies multiplying the 20,000 jobs calculated by the DLA standards by 5%, providing a very conservative estimate of 1,000 annual jobs created/retained from the services provided by the PTAC. Using this conservative estimate of jobs attributable to the PTAC, the program still easily pays for itself. The 1,000 jobs would each need to only generate \$220 per job in state revenues (across income and sales tax) to cover the \$220,000 per year in state funding.

The PTAC provides technical assistance in obtaining government contracts to both contractors and subcontractors, anywhere from a small subcontractor that supplies cleaning services to a large defense contractor (such as Raytheon) that handle major federal contracts in various areas such as aerospace or high tech.

Proposed Solution:

In maintaining a PTAC, Colorado ensures that Colorado businesses have an equal opportunity in competing with businesses from other States to obtain government contracts. In addition to the above advantages of maintaining a PTAC, the State PTAC funding request of \$220,000 is matched 3 to 1 with federal and locally-raised funds (\$600,000) based on the structure of the PTAC program. To offset the cost of overseeing and assisting the PTAC program by OEDIT, \$20,000 is allocated for program oversight expenses by OEDIT.

Without the PTAC, jobs created and retained from Colorado businesses receiving government contracts will decrease and tax revenues associated with jobs created and retained would also decrease for the State. If the request is denied Colorado businesses will be at a notable disadvantage in competing for government contracts, compared to businesses in other states that have access to PTACs. The lack of competition means that the State will lose the opportunity to leverage additional federal and local funds.

Jobs created and retained because of the technical assistance of the PTAC are directly linked to OEDIT's Performance Plan. The Colorado PTAC funding request will be ongoing, as it is in virtually all the States.

Anticipated Outcomes:

The proposed funding will assist companies in taking advantage of contract-based opportunities for job growth. Additionally, Colorado businesses will maintain the same level of technical assistance from the State in seeking government contractor work.

OEDIT tracks many metrics in the PTAC data base per Federal guidelines. Some of the major metrics are number of clients served, number of training and educational outreach events, and number of initial and follow-up counseling.

Assumptions and Calculations:

The Colorado PTAC under its current structure has a total operating budget of approximately \$800,000. It is comprised of the following components: the State's portion of the budget is \$200,000 per H.B. 13-1301 funding, the local match is approximately \$200,000 (which is made of both cash and service contributions), and the federal match of \$400,000.