

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2012-13</b>		<b>FY 2013-14</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	82,618 to 165,235	82,618 to 165,235	81,756 to 163,512	81,756 to 163,512
TOTAL FUNDS	82,618 to 165,235	82,618 to 165,235	81,756 to 163,512	81,756 to 163,512

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 858 imposes additional requirements upon agencies seeking to enter into contracts for services that are in excess of twenty-five million dollars (\$25,000,000).

Administrative Services – Materiel Division (Materiel) is required to develop guidelines for agencies to use in conducting a proof-of-need analysis. Materiel is charged with certifying the analysis and, within thirty days, reporting its determination to the agency. Only upon certification of the analysis may the state agency enter into the proposed contract.

The costs associated with the proof-of-need analysis for any given state agency cannot be determined. Those costs may never occur at some agencies, simply because they will not attempt to enter into such high dollar contracts for services. Other agencies may have multiple occurrences. If any such additional costs are incurred, agencies will need to request funding through the normal budgetary process.

Materiel estimates the need for two additional FTE to address the potential workload associated with the bill’s provisions. This is based on the assumption of thirty proposed contracts per year with staff time of 140 hours per contract.

Materiel has provided information stating that there are currently 27 contracts in excess of \$25 million, but 9 of those are exempt for other reasons. That leaves 18 current contracts that would have fallen under this bill’s provisions. No information regarding the number of **proposed** contracts is provided. We know that 18 current contracts would have been covered by the bill, but we do not know how many proposed contracts were not signed that would also have required analysis.

The case could be made that thirty proposed contracts per year in excess of \$25 million is too high a figure. This may be the case, if one considers that there are 18 current contracts that would fall under the bill’s provisions and they are likely contracts that run longer than a one year period. If they average 2 years (for example), there would be nine such contracts per year that fall under these provisions. That would appear to mitigate the bill’s costs.

The above line of reasoning leads one to consider reducing the proposed impact to the need for one FTE.

However, section 12, subsection 3 requires Materiel to “report its determination to the state agency no more than thirty days after receipt of the analysis.” If multiple contracts need to be reviewed and analyzed, this thirty day constriction would likely require more than one person to perform the required duties. For this reason, one would need to strongly consider the higher staffing level of two FTE.

The uncertainty of the number of proposed contracts and the timing in which the proposals are received create a level of uncertainty that must be considered. The bill’s provisions appear to require a minimum of one FTE but possibly two. For this reason, a range of dollars is provided for Materiel. The fund source would be Revolving Funds.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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<b>COMMENTS</b>			
DEPT. OF ADMINISTRATIVE SERVICES – Agency’s estimate appears to be reasonable.			

