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DATE PREPARED: January 17, 2012
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LB 792

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	0 to 445,477	0 to 445,477	0 to 438,779	0 to 438,779
TOTAL FUNDS	0 to 445,477	0 to 445,477	0 to 438,779	0 to 438,779

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

LB 792 requires contracts for personal services (where the services performed by permanent state employees are being replaced by services performed by the private entity), regardless of whether a state employee is displaced by such contract, to be reviewed and approved or disapproved by the Director of Administrative Services (AS) under section 73-301.

AS estimates the bill's provisions will cost \$445,477 in the first year and \$438,779 each subsequent year. This estimate is based on the following:

- 2,500 personal service contracts are currently in place
- One-third (833) will be reviewed each year due to a presumed three year contract cycle
- Fifteen hours of staff time will be expended per review
- First year start-up costs will be \$15,000

Assuming AS will charge agencies for the cost of the review process, the funding source at AS would be revolving funds. The cost to any specific agency will vary depending on the number of contracts being review. The fund source at any specific agency will vary depending on the agency's funding.

If charging agencies for this service is not the bill's intent, the funding source would need to be the General Fund.

It should be noted that the estimates provided are based on three factors that may prove to be far from correct (either too high or too low).

The underlying assumption of a continued 2,500 contracts may not hold true. That number could increase or decrease dramatically. It should also be noted that contracts being renewed would not be subject to the bill's provisions. Since the bill addressed personal services that are being performed by state employees, regardless of whether or not state employees are being displaced if a contract is up for renewal, the services were not being performed by state employees; they were being performed under the contract. Thus, 833 contracts for services may be reviewed each year, but they will not be renewals.

Since we have a pool of 2,500 contracts, we are assuming 833 per year, and we know that renewal contracts will not be included since they do not fall under the bill's parameters, it is likely that this figure (833) is too high.

The assumed fifteen hours required to properly review the contracts will vary from one contract to another. This figure was provided by AS as their best estimate and is accepted as such.

If any of these assumptions shifts, the overall cost of the bill's provisions would be significantly affected. For example, ten hours becomes the average and all other assumptions remain the same, the number of employees required would be 4.0, not 6.0. That would reduce costs by 33.1%.

This is not to say that the AS estimates are incorrect or implausible. It is merely stated to point out the potential variances that could be encountered from these estimates.

It is highly unlikely that the bill's provisions will have the impact estimated by AS. However, we must recognize that this figure is possible. Due to the uncertainty, a range of zero up to the AS estimate is provided in the table above.

LB792 FISCAL NOTE
DAS ANALYST COMMENTS

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/17/12	PHONE 471-2526
COMMENTS			
DEPT. OF ADMINISTRATIVE SERVICES – Agency's estimate of impact appears to be reasonable.			

2012 Legislative Bill Proposal Fiscal Note

Bill #: LB792

State Agency: Administrative Services - Materiel

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Date Prepared: 1/9/2012

Phone: 402-471-0970

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LEGISLATIVE FISCAL

Estimate of Fiscal Impact – State Agencies

	FY 2012-13		FY 2013-14	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	445,477	445,477	438,779	438,779
Total Funds	445,477	445,477	438,779	438,779

Explanation of Estimate:

LB792 requires all personal services contracts to be reviewed and approved/disapproved by the Department of Administrative Services whether or not any employees are being displaced.

There are approximately 2,500 personal service contracts in place currently; only two of those have undergone Department of Administrative review due to the displacement of State personnel, as required under the current law. Under the bill as proposed the Department of Administrative Services would have reviewed an additional 2,488 personal service contracts.

For the purpose of this fiscal note, an assumption is made that these contracts would be bid in a 3 year repeating cycle. Approximately 833 contracts would be processed each year.

833 contracts x 15 hours each = 12,495 staff hours per year to process the service contracts. 12,495 staff hours / 2,080 work hours per year = equates to 6 new staff for Administrative Services – Materiel Division that would be needed to perform these additional duties.

Estimated costs for the additional 6 FTE's are \$445,477 in FY12-13 and \$438,779 in FY13-14. These costs include salary and benefits (health insurance is budgeted using the State's current share of the highest cost family plan), ongoing annual operating costs (communication/data processing, printing/publication, supplies and rent/depreciation surcharge). There would also be a onetime cost in FY12-13 for the purchase of new equipment and set up costs of \$2,500 for each of the new employees (\$2,500 x 6 = \$15,000).

The increased costs would result in the need for additional appropriation and an increased Materiel – Purchasing Assessment to State Agencies.

The table below summarizes the impact by fund type of the increased statewide Materiel - Purchasing Assessment. The allocation by fund type is based on total FY10-11 operational expenditures.

	FY2012-13	FY2013-14
	Expenditures	Expenditures
General Funds	164,826	162,348
Cash Funds	133,643	131,634
Federal Funds	102,460	100,919
Revolving Funds	44,548	43,878
Total Funds	445,477	438,779

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions		2012-13	2013-14
	12-13	13-14	Expenditures	Expenditures
Assistant Procurement Manager	1	1	50,390	51,398
Attorney II	1	1	50,710	51,725
Accountant I	1	1	32,454	33,090
Administrative Asst I	2	2	58,798	59,974
Buyer III	1	1	46,868	47,806
Benefits			165,007	168,536
Operating			26,250	26,250
Travel			0	0
Capital Outlay			15,000	
Aid			0	0
Capital Improvements			0	0
TOTAL	6	6	445,477	438,779