Ninety-Ninth Legislature - Second Session - 2006

Introducer's Statement of Intent
LB 902

Chairperson: **DiAnna R. Schimek**
Committee: **Government, Military and Veterans Affairs**
Date of Hearing: **January 25, 2006**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 902 is being introduced to continue efforts which began 11 years ago by Senator Jerome Warner to determine whether or not the state saves money by entering into a contract for services as compared to using state employees to carry out the same services. The goal is not to favor one service delivery system over another but to run the state as a business which means comparing costs before making a decision to contract or to retain the service in-house.

Though this cost-benefit analysis requirement has been in statute since 1995, the analysis has never been completed by a single state agency according to agency responses to a survey conducted by my office in September 2005. Since the current "Warner" statutes are not accomplishing the goals intended through its passage in 1995, LB 902 is an attempt to assure that cost-benefit analyses will be completed by our state agencies. The proposed cost-benefit analysis requirements apply to all contracts over $50,000 if the job functions are being performed or have been performed within the past 12 months by a state employee covered by the classified personnel system or labor contract. There are a number of contracts and services which would be exempt from this requirement, including additional services identified in 73-507.

The list of information which must be part of the cost-benefit analysis includes the "Warner" statute requirements. These are listed in Section 7 of the bill and include the following provisions:

- Identification of long-term cost savings;
- Description of method to adequately assure control and monitoring of the contracted services;
- Statement as to whether or not the contract adversely affects the state's affirmative action efforts;
- Assessment of feasibility of alternatives;
- Whether there is a public interest in providing services in-house rather than through a contract;
- Projected agency cost savings for 12 and 60 months including;
    - (a) direct costs;
    - (b) indirect overhead costs;
    - (c) continuing or transitional costs associated with contracting;
    - (d) additional costs if state employees perform the services;
- Inclusion of a formal plan of assistance for any displaced employee including:
    - (a) agency efforts to place a displaced employee in a vacant agency position or with another state agency;
    - (b) demonstration that the agency has taken steps in considering alternatives to contracting, including reorganization, reevaluation of service, and of performance.

There is no requirement in the bill for the agency to submit the cost-benefit analysis to DAS or to seek approval from any entity including DAS and the Legislature. The state agencies' only requirement is to file a copy of the completed cost-benefit analysis with the Legislative Fiscal Office in order that the Legislature – particularly the Appropriations Committee – will have convenient access to all agency cost-benefit analyses without having to request each analysis individually. I have spoken with Mike Calvert in the Legislative Fiscal Office and he is comfortable with the Fiscal Office being the recipient of these documents.

Principal Introducer: _____
Senator Don Preister