

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS	See Below	See Below	See Below	See Below
OTHER FUNDS	See Below	See Below	See Below	See Below
TOTAL FUNDS	See Below	See Below	See Below	See Below

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 717 changes provisions related to state agency contracts for professional or technical services in excess of one hundred thousand dollars (\$100,000).

LB 717 requires such contracts to utilize third-party software to verify the legitimacy of hours billed for work performed on a computer. The data collected by the software shall be considered accounting records belonging to the contractor. The contractor shall not charge the state agency or an auditor of the state agency for access to or use of the work verification software or for access to or retrievals of data collected by the software.

The Nebraska Department of Corrections states that the fiscal impact of the bill is indeterminate at this time. The bill's provisions appear to limit the local vendor pool which could result in greater reliance on national companies that may charge higher prices to have this type of software.

The Department of Administrative Services also states that costs of the bill's provisions are unknown, but will have "a definite fiscal impact".

The Department of Health and Human Services estimates the need for 1.0 FTE plus \$707,323 of operations costs to administer the bill's provisions. This is due to procedure, process and training aspects that personnel would have to undertake to effectively verify billable information based on the software tool. Contract templates, procurement policies, and contract management manuals would have to be changed to update the new requirements. In addition, DHHS estimates the need for project servers and hardware for 200 contractors and the potentially higher contract prices.

The fiscal impact of LB 717 is indeterminate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 717	AM:	AGENCY/POLT. SUB: Department of Correctional Services	
REVIEWED BY: Neil Sullivan	DATE: 3/13/2019	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Correctional Services estimate of indeterminate fiscal impact from LB 717.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 717	AM:	AGENCY/POLT. SUB: Department of Administrative Services	
REVIEWED BY: Neil Sullivan	DATE: 3/18/2019	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Administrative Services estimate of indeterminate fiscal impact from LB 717.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 717	AM:	AGENCY/POLT. SUB: Department of Health and Human Services
REVIEWED BY: Neil Sullivan	DATE: 3/18/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Health and Human Services assessment of fiscal impact from LB 717.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 717	AM:	AGENCY/POLT. SUB: State Patrol
REVIEWED BY: Neil Sullivan	DATE: 3/13/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the State Patrol estimate of no fiscal impact from LB 717.		

Please complete ALL (5) blanks in the first three lines.

2019

LB⁽¹⁾ 717

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Correctional Services

Prepared by: ⁽³⁾ Sara Sump Date Prepared: ⁽⁴⁾ 1/29/19 Phone: ⁽⁵⁾ 402.479.5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>0</u>	<u>_____</u>	<u>0</u>

Explanation of Estimate:

LB 717 will provide requirements for state contracts regarding hours bill for computer services.

Fiscal impact is indeterminable at this time, this bill appears to limit the local vendor pool and leave with the national companies that may charge a higher price to have this type of software.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2019

LB⁽¹⁾ 717

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – Materiel Division and Office of the Chief Information Officer (OCIO)

Prepared by: ⁽³⁾ Jennifer Sommars-Link Date Prepared: ⁽⁴⁾ 01/29/2019 Phone: ⁽⁵⁾ 402-471-1405

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 717 proposes to modify Section 73-501 to require a process to prevent fraud as it relates to selection of contractual services; and requires a contractor for any contract for professional or technical services in excess of \$100,000 to use a third-party software to verify hours billed for work under the contract that are performed on a computer. The bill requires any such contracts to specify that an agency, as defined, will not pay for hours worked on a computer unless those hours are verifiable by the software or data collected by the software.

Software requirements are to permit the agency or an auditor of the agency access to data collected; are to track keystroke and mouse event frequently; take screenshots; provide automated real-time cost status of each task; etc.

The bill does not specify or define “professional or technical services.” As written, it would be up to an agency to determine what type of service constitutes “professional or technical services.” This legislation could significantly increase the costs of such services contracts both in requiring the additional contracted services for the use of the third-party software, or potentially integrations of such third-party software to the original service provider that is producing the computer work.

The OCIO is a provider of these types of services to state agencies. Potential increased costs could also derive from increased storage utilized to store required verifiable documentation, as well as expenses related to potential staff which may be required to manage processes required by this legislation. Expenses would also be incurred to store required screenshots. SAN storage with replication is \$.20 monthly per gigabyte. Any costs incurred by the OCIO to validate the work performed and well as the storage costs would be added to the contract’s cost per hour and be passed on to the agency.

This legislation has a definite fiscal impact, however the cost is unknown.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1-28-19

Phone: (5) 471-6719

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$745,124		\$745,124	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$745,124		\$745,124	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 717 impacts contracts in excess of \$100,000 and those contracted individuals who work with the State of Nebraska by requiring each contractor to keep additional work verification records. Each contractor will be required to use a third-party software company to verify billable hours through automated keystroke, mouse event, and visual screenshot (every three minutes) records. The software will give all agencies (including the Department of Health and Human Services (DHHS)) contract monitoring personnel the ability to review the verification information at any time and without notice. There would also be procedure, process and training aspects that personnel would have to undertake to effectively verify billable information based upon the software tool. Additionally, all contract templates, procurement policies, and contract management manuals would have to be changed and updated for these new requirements. Potential staff impacts could be at multiple levels depending upon who has responsibility for tying tasks to billable hours. It would affect personnel in policy and operations teams who monitor contracts. Additional staff time would be needed to change document templates, manuals, and training materials. At the very least, one additional Office Clerk III would be hired by DHHS by July 1, 2019 to manage these additional requirements.

Estimated increase in IT costs:

Project Servers and hardware for 200 contractors: \$50,000 for each server and operating system; \$250,000 for Project software; \$25,000 for integration work. Information security would need to be estimated by the OCIO (est. \$250,000).

Estimated Procurement costs:

Increased costs in DHHS contracts from higher prices is unknown, but likely substantial. This bill requires software to run on the contractors laptop. Storage and backup requirements for the logs and screenshots would likely be included in higher procurement costs. 80GB of logs/year/contractor could be assumed at 200 contractors equaling 16,000 GB per year of logs to maintain and backup. The monthly charge for 16,000 GB for use and backup is estimated at \$10,000 per month or \$120,000 annually.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2019-2020	2020-2021
	19-20	20-21	EXPENDITURES	EXPENDITURES
K01113 Office Clerk III	1	1	\$27,612	\$27,612
Benefits.....			\$10,189	\$10,189
Operating.....			\$707,323	\$707,323
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$745,124	\$745,124

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2019

LB⁽¹⁾ 717

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Patrol

Prepared by: ⁽³⁾ Carol Aversman Date Prepared: ⁽⁴⁾ 2/21/2019 Phone: ⁽⁵⁾ 402-471-4545

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

NO FISCAL IMPACT

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____