

MSA

PREPARED BY: Scott Danigole
DATE PREPARED: January 26, 2011
PHONE: 471-0055

LB 338

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$0 to \$301,224	\$0 to \$301,224	\$0 to \$290,636	\$0 to \$290,636
TOTAL FUNDS	\$0 to \$301,224	\$0 to \$301,224	\$0 to \$290,636	\$0 to \$290,636

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

LB 338 changes provisions related to preferential requirements for services and personal property contracts.

Section 5 provides that the Director of Administrative Services shall give preference to a private entity that certifies the services provided pursuant to a contract will be performed in the United States unless the director determines that such preference would do a disservice to the public interest.

The Department of Administrative Services states that the bill's provisions have the potential to add to the cost of goods and/or services. Estimates ranging from approximately \$40 million to \$200 million in fiscal year 2011-12 are provided to highlight this. These estimates are based on a 1% and a 5% added cost to the goods and services when applied to a six year average of operating costs.

The estimates referred to in the paragraph above appear to be unreasonable.

In section 5 of the bill, it is clearly stated that "The director shall give preference to a private entity...unless the director determines that such preference would do a disservice to the public interest." This is in reference to service contracts. It seems reasonable that providing a 5% price increase in order to secure services performed in the United States at a total cost of \$200 million is a disservice to the public.

Regarding the purchase of personal property, section 10 amends 81-154 by adding new language. In the proposed 81-154(2), "The materiel division shall purchase personal property that has been manufactured in the United states unless the materiel division determines that any of the following applies...(b) The price of the personal property manufactured in the United States exceeds by an unreasonable amount the price of available and comparable property manufactured outside of the United States." Again, an overall increased cost of \$200 million would surely be considered "unreasonable" under this section.

It appears as though there may be some confusion regarding the manner in which preference is given under the bill's provisions. If the introducer's intent is to provide preference in the *awarding process* (e.g. the vendor who provides US manufactured products is the preferred choice over the vendor who provides non-US manufactured products), that should be clarified in the bill.

DAS also estimates the need for four additional staff to address increased work associated with the bill's provisions. The additional staff would review statements submitted by vendors/suppliers, track compliance, penalties, debarment, contracting provisions, etc. These costs would be paid through agency assessments that flow from the revolving funds appropriated. Without further clarification in the bill, it is unknown how much need for increased staff would be needed. There will certainly be more work, but the extent of such work is still uncertain.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/26/11	PHONE 471-2526
COMMENTS			
ADMINISTRATIVE SERVICES – Agency's estimate of impact to agency and on a state-wide basis appears to be reasonable.			

2011 Legislative Bill Proposal Fiscal Note

RECEIVED
JAN 26 2011
LEGISLATIVE FISCAL

Bill #: LB 338

State Agency: Administrative Services

Prepared by: Brenda Pape

Date Prepared: 01/20/2011 Phone: 471-0970

Approved by:

Estimate of Fiscal Impact – State Agencies

	FY 2011-12		FY 2012-13	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other	\$301,224.00	\$301,224.00	\$290,636.00	\$290,636.00
Total Funds	\$301,224.00	\$301,224.00	\$290,636.00	\$290,636.00

Explanation of Estimate:

LB338 provides for preference for services to be performed in the United States. This bill also provides for preference for goods which are manufactured in the United States, meaning design, final assembly, processing, packaging, testing, or another process that adds value, quality, or reliability to the personal property. This bill also provides for some exemptions for both the procurement of goods and services, tracking, and penalties to vendors, and suppliers for violations.

This legislation has the potential to add to the cost of the goods and/or service. There is no way to project those costs. An assumption was made this legislation would increase the cost of the goods and/or services by 5%. Based on this assumption and 2010 expenditures, this would cost agencies an additional \$201,372,975. Based on 1% this would be reduced to \$40,274,595. Actual increases cannot be determined. The estimated increased costs were allocated by fund type using a six year average (2004-2009) of operating costs only. See the table below.

	FY 2011-12		FY 2012-13	
	5%	1%	5%	1%
	Expenditures	Expenditures	Expenditures	Expenditures
General Funds	75,349,655	15,069,931	75,349,655	15,069,931
Cash Funds	51,816,053	10,363,211	51,816,053	10,363,211
Federal Funds	37,123,460	7,424,692	37,123,460	7,424,692
Revolving	35,879,327	7,175,865	35,879,327	7,175,865
Other Funds	1,204,480	240,896	1,204,480	240,896
Total Funds	201,372,975	40,274,595	201,372,975	40,274,595

The Materiel Division would also need to increase staff in order to review statements submitted by vendors/suppliers, track statements and contracts for compliance, penalties, debarment, contracting provisions, protests, and updating Rules and Regulations. This would require an increase in program revolving expenditures of \$301,224.00 in FY11-12 and \$290,636.00 in FY12-13. These increased program costs would result in an increase in the program's statewide Purchasing Assessment.

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions			2011-12	2012-13
	11-12	12-13		Expenditures	Expenditures
Buyer III	2	2		\$90,538.00	\$92,349.00
Staff Assistant II	1	1		\$32,055.00	\$32,696.00
Administrative Asst II	1	1		\$34,118.00	\$34,801.00
Benefits	4	4		\$109,373.00	\$111,650.00
Operating				\$19,140.00	\$19,140.00
Travel				0	0
Capital Outlay				\$16,000.00	0
Aid				0	0
Capital Improvements				0	0
TOTAL				\$301,224.00	\$290,636.00