

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	453,658 to 907,316	453,658 to 907,316	399,067 to 798,133	399,067 to 798,133
TOTAL FUNDS	453,658 to 907,316	453,658 to 907,316	399,067 to 798,133	399,067 to 798,133

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

LB 1159 changes provisions of high dollar contracts for services so the agencies may propose contracts for services valued at twenty-five million dollars or more, but only the materiel division (of Administrative Services) may enter into such contracts.

Sections 10 through 12 provide requirements for the materiel division to follow in handling these contracts.

The materiel division estimates the need for ten (10) additional FTE to address the bill's provisions. Materiel division cautions that the \$100,000 included in the first year's estimate for consultants may be too low a figure.

The estimates submitted by materiel division are based on the current number of twenty-seven (27) contracts valued over the \$25 million threshold. If we assume each contract has a three year life-cycle and is then considered for renewal, materiel would be addressing nine new contracts per year. This approach appears to be reasonable.

Having ten new employees address nine contracts per year appears excessive. Clearly, some of the bill's provisions would require new staffing. For instance, Section 10 (5) of the bill requires the Department of Administrative Services to develop training requirements for contracting officers and provide training for individuals employed by state agencies. This new activity would necessitate new staff.

In their fiscal note response, materiel states: "It may be possible for some or all of these FTE's (sic) to be obtained through a reallocation of existing FTE's (sic) from other agencies to provide a more budget neutral approach." It is unclear whether this statement means that materiel could possibly reallocate its own staffing or if they are suggesting transferring staff from other agencies to DAS.

Due to the uncertainty of costs and the question of reallocating existing staff, the figures used in the table above reflect a range that is between half of the materiel division estimate and the full estimate.

The bill's fiscal impact on the materiel division would be paid with Revolving Funds. The costs paid by agencies utilizing the services would be paid with whatever funding sources those agencies utilize.

The individual costs for any given state agency are not estimated in this fiscal note. They cannot be accurately estimated due to the varying nature of each contract.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	1/31/12	PHONE	471-2526
COMMENTS					
ADMINISTRATIVE SERVICES – MATERIAL: Estimate appears to be reasonable.					

2012 Legislative Bill Proposal Fiscal Note

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LEGISLATIVE FISCAL

Bill #: LB1159

State Agency: Administrative Services - Materiel

Prepared by: Brenda Pape

Date Prepared: 01/21/2012

Phone: 402-471-0970

Estimate of Fiscal Impact – State Agencies

	FY 2012-13		FY 2013-14	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	907,316	907,316	798,133	798,133
Total Funds	907,316	907,316	798,133	798,133

Explanation of Estimate:

LB1159 is an Act relating to State contracts for services to provide additional requirements for services contracts, including performance based contracting, determining proof of need for service contracts in excess of \$25,000,000, and monitoring the quality performance of contractors. Materiel Division is also responsible for training agency personnel in performance contracting. Only Materiel Division has the authority to enter into legally binding contracts for services in excess of \$25,000,000.

The State currently has 27 service contracts that are in excess of \$25,000,000. The bill as written will require the Materiel Division to develop: performance standards, training guidelines and curriculum, proof of need requirements and criteria for monitoring for quality assurance. DAS will also review and either approve or disapprove the proof of need, prior to an agency entering into a contract.

As written, this bill also requires the Materiel Division, as part of the review process, to determine the level of risk to the State and to any individual served by the contract if applicable. If the level of risk is found not to be within reasonable parameters, the Division may request additional information from the submitting agency or solicit additional information from other sources as deemed appropriate. This would be an expansion of the financial aspects of risk normally considered in the procurement process. Depending upon the nature of the contract and the services rendered, it may be necessary to hire consultant(s) to perform this required risk assessment. It may also be necessary to hire consultant(s) to serve as a source of additional information should the assessed level of risk not be within reasonable parameters. This portion of the review process along with a review of the other information required by this bill would require additional staff hours.

Using a three year bid cycle, this would equate to 9 contracts per year (27 contracts / 3 years = 9 contracts annually) that would be required to be processed through Materiel Division.

9 contracts x 220 hours each = 1,980 hours for the pre-review of documents provided by agencies to process, bid and contracting process if processed through Materiel Division as well as review of changes at contract finalization. This number could grow significantly if agencies make a determination to have Materiel Division conduct the entire bid process. If this occurs, Materiel Division would need to request additional staff than what is being included in this fiscal note.

Development of specifications and criteria for bidding process for development of performance based contracting methods. This will be ongoing with the Materiel and the agencies – 2,080 hours.

Development of guidelines for proof of need documentation and instruction on how to apply the tools necessary to complete this task – This requires the use of consultant(s) due to vast array of services – Initial development minimum estimated cost of \$50,000. This has the potential to be significantly higher dependent upon type of service contract, training on how to use these tools, any changes necessary.

Development of risk assessment documentation and instructions on how to apply the tools necessary to complete this task – This requires the use of consultant(s) or a third party due to vast array of services – Initial development minimum estimated cost of \$50,000 in the first year. This has the potential to be significantly higher dependent on type of service contract, training on how to use these tools, any changes necessary, etc.

The annual monitoring for quality assurance, performance tracking for compliance, 27 contracts x 80 hours per contract each year = 2,160 hours per year. Monitoring will be ongoing throughout the life of the contract.

Initial set up of guidelines, forms, and training materials will take approximately 200 hours.

On-going training for agencies procurement staff use of guidelines, forms, proof of need documentation, specifications based upon performance based contracting, contract monitoring and what's required, risk assessment and what's required – 40 hours per week x 52 weeks – 2,080 hours.

Legal review of documents for finalization of contracts, proof of need, risk assessment, assistance with contract compliance issues., 9 contracts x 220 hours = 1,980 hours.

Legal review of federal requirements in order to provide assist in development of specifications for performance based contracting will be ongoing – 2,080 hours.

Additional full time staff will be required to supervise and coordinate this program.

The AS Materiel Division would need ten additional staff members due to the level of the additional duties listed above.

The estimated costs for the additional 10 FTE's are \$807,316 in FY12-13 and \$798,133 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 10 = \$25,000). In addition to the costs for the additional staff there would be an estimated \$100,000 for the development of guidelines for proof of need and risk assessment documentation in FY12-13 for a total cost of \$907,316 in FY12-13.

It may be possible for some or all of these FTE's to be obtained through a reallocation of existing FTE's from other agencies to provide a more budget neutral approach.

The bill as proposed could also present the potential for additional expenses for consultants. At this time it is not possible to estimate all potential costs associated with these risk management assessments and or efforts to secure additional information from third party sources. As the State Purchasing Bureau is revolving fund based, these expenses would be added to the costs incurred for each specific project and would be billed back to the requesting agency.

These additional 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	335,706	295,309
Cash Funds	272,195	239,440
Federal Funds	208,683	183,571
Revolving Funds	90,732	79,813
Total Funds	907,316	798,133

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions		2012-13	2013-14
	12-13	13-14	Expenditures	Expenditures
Buyer III	4	4	187,473	191,223
Attorney II	1	1	50,710	51,725
Paralegal I	2	2	87,780	89,534
Administrative Assistant II	1	1	35,323	36,029
Compliance Officer	2	2	93,736	95,611
Benefits			283,544	290,261
Operating			143,750	43,750
Travel			0	0
Capital Outlay			25,000	
Capital Improvements				
TOTAL	10	10	907,316	798,133