

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	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 16 is the Purchasing from Persons with Disabilities Act (the Act).

The purpose of the Act is to further the state’s policy of encouraging persons with disabilities to achieve maximum personal independence by engaging in useful and productive employment activities. In addition, the Act provides government with a way to achieve conformity with nondiscrimination requirements in employment matters related to persons with disabilities.

Section 3 provides definitions for the following terms:

- Central nonprofit agency;
- Community rehabilitation program;
- Council;
- Disability;
- Materiel division, and;
- State agency

Section 4 creates the Council on Purchasing from Persons with Disabilities (Council), which consists of nine members appointed by the Governor and approved by a majority of the Legislature. Members are not compensated for their service, but shall be entitled to reimbursement for expenses incurred in performing their duties. The Council shall establish a formal certification procedure for recognition and approval of community rehabilitation programs. The Council may delegate the certification procedure to the central nonprofit agency, but not to a community rehabilitation program.

Section 5 provides the Council with authority to determine the fair market price of all products and services manufactured or provided by persons with disabilities and offered for sale to the state and political subdivisions by a community rehabilitation program.

Section 6 states: “A suitable product or service that meets applicable specifications established by a state agency or a political subdivision and that is available within the time specified **shall** be procured from a community rehabilitation program at the price determined by the council to be the fair market price.” (Emphasis mine)

Section 7 requires each state agency to designate an employee to ensure that the state agency complies with the Act and report to the Materiel Division and the Council the purchase of products or services available from the central nonprofit agency or community rehabilitation program but that are purchased from another entity.

Section 11 provides certain exceptions.

Section 12 gives the Council to appoint one central nonprofit agency to:

- Recruit and assist the community rehabilitation programs in developing and submitting applications for the selection of suitable products and services;
- Facilitate the distribution of purchase orders among community rehabilitation programs;
- Manage and coordinate operations of the program;
- Promote increased supported employment opportunities for persons with disabilities; and,
- Recruit and assist organizations that are managed by members of racial minorities, women, or persons with disabilities and that are in the process of qualifying as community rehabilitation programs

Section 12 goes on to list the services that the central nonprofit agency may include. The central nonprofit agency's management fee shall be computed as a percentage of the selling price of the product or the contract price of a service and shall be included in the selling price or contract price. The management fee shall be set by the Council in an amount necessary to reimburse for direct and reasonable costs incurred by the central nonprofit agency for its services and by the Materiel Division and the council in administering the Act.

Section 14 requires the Council to file with the Governor and Legislature a report annually on or before November 1.

**The provisions of LB 16 could impact every state agency, board, and commission. It is not possible to determine an accurate estimate of fiscal impact without surveying every such agency, board, and commission. Due to the inherent problems with such an approach, this fiscal note has an indeterminate cost. There WILL be costs associated with the bill, but any costs that are borne as a general cost by agencies, boards, and commissions will need to be addressed through the normal budget and deficit request systems. Not every agency was surveyed in the effort to determine fiscal impact.**

The Secretary of State states that the fiscal impact cannot be determined as it is not possible to identify which goods or services might be offered or whether the cost of goods and services would be lower, the same, or higher than what they currently are. Section 6 requires the purchase of items from a community rehabilitation program rather than through any other vendor **regardless of the price.** (Emphasis mine) Due to this provision, there may be times when goods or services are acquired at a higher cost than is currently paid.

The State Patrol estimates the need to hire 1.0 Staff Assistant to address the bill's provisions. They feel this is necessary to comply with the provisions in section 7 of the bill. Due to the varied products and services that may be covered under the Act, this estimate may be accurate, especially for agencies that have numerous products and services that may be covered.

The University of Nebraska estimates the need to hire 11.0 additional staff to accommodate the bill's provisions. Part of the rationale behind such a high number of new employees is the designation of an employee for each campus. In addition, staff would need to "constantly update our purchasing process". There would be a one-time cost for adapting their e-procurement software for the products, assuming a catalog would be made electronically available.

The Department of Corrections estimates the need to hire 2.0 additional staff to accommodate the bill's provisions. In addition to the expenses, the DOC estimates reduced revenue of \$3,738,091 beginning in FY2016-17 and reduced expenditures of \$2,097,997 beginning in FY2016-17. These reductions are estimated based on the assumption of business that would be reduced for the Department's Cornhusker State Industries (CSI). There is no basis to disagree with these estimates.

The Department of Administrative Services estimates the need for 7.0 new FTE to address the bill's provisions. These costs would be split among various funding types. The provisions of section 12 (management fee/reimbursement) provide an estimated \$391,395 in revenue in FY2015-16 and \$274,857 in FY2016-17. The Materiel Division would be charged with running the "exception process" found in section 11. An anticipated cost of \$117,520 is attached to this provision for one-time modifications to the E1 System. Since the cost would be borne by the Materiel Division, but the work would be done in the Accounting Division, the Accounting Division would also need increased Revolving Funding to accommodate the work.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 16	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Gary Bush		DATE: 1/21/15	PHONE: 471-4161
COMMENTS: No basis to disagree with estimate provided by the University.			

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

2015

LB<sup>(1)</sup> 16

FISCAL  
NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Administrative Services-Materiel-State Purchasing Bureau,  
State Building Division, Office of the OCIO, Office of the  
Capitol Commission

Prepared by: <sup>(3)</sup> Brenda Pape

Date Prepared: <sup>(4)</sup> 1/13/2015

Phone: <sup>(5)</sup> 402-471-0970

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>68,739</u>	<u>                    </u>	<u>68,992</u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS (Accounting)	<u>117,520</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>528,873</u>	<u>391,395</u>	<u>412,841</u>	<u>274,857</u>
TOTAL FUNDS	<u>715,132</u>	<u>391,395</u>	<u>481,833</u>	<u>274,857</u>

**Explanation of Estimate:**

LB16 is to adopt the Purchasing from Persons with Disabilities Act and changes the requirements for bidding and purchases by state and local government. This bill will impact all agencies, boards, and commissions, including the University of Nebraska, State Colleges, the courts, the Legislature, and all officers or state agencies established by the Constitution of Nebraska.

As the bill is written, a council will be established to write rules and regulations surrounding the requirements for the Purchasing from Persons with Disabilities Act, establish fair market value for products and services and revise such prices periodically, and establish a formal certification procedure for recognition and approval of community rehabilitation programs.

This bill requires agencies to report to the Materiel Division and the council, the purchase of products or services available from the central non-profit agency or community rehabilitation program, but that are purchased from another entity that is not the central nonprofit agency or community rehabilitation program. Materiel Division is granted authority to review requests for exceptions to the LB16 purchase requirements. Materiel must generate a monthly report for any or all exceptions granted that lists all items purchased under such exception, including the date of the purchase order, the type of product or service requested, and the reason for purchase under the exception. This exception process applies to all political subdivisions, the University, and all other public entities included in this legislation. DAS State Accounting will incur developmental and implementation costs to modify the existing E1 procurement routes to accommodate the mandatory bidding exemption required by this legislation. It is anticipated this will cost a minimum of \$117,520 to fulfill this requirement. DAS State Accounting will also require additional revolving appropriation to incur these additional expenses. The E1 procurement costs of \$117,520 will then be re-billed to Materiel by State Accounting and will be offset by the receipt of that revenue.

In order for Materiel Division to fulfill the requirements of this bill, Materiel Division will need three additional positions identified as one (1) Administrative Assistant III, and three (3) Staff Assistant II's. Legislation requires all agencies who receive tax support, including all political subdivisions, to provide reports to the Materiel Division on purchases of products or services available from the central nonprofit agency or community rehabilitation program, but that are not purchased from another entity that is not the central nonprofit agency or community rehabilitation program. These positions will be responsible for developing and implementing a program and protocol for handling, processing and responding to the purchasing requests and as well as compiling a monthly report on all purchases and requests and submitting same to the council. Further the Administrative Assistant III will also be designated as the individual to monitor purchases for compliance with this legislation for DAS divisions, except for those which have their own procurement authority (i.e. State Building Division, Office of the CIO (OCIO) and the Office of the Capitol Commission). Total estimated costs for Materiel Division are \$391,395 [including E1 changes] in FY15-16 and \$274,857.

These additional costs would result in the need for additional revolving appropriation and an increased Materiel-Purchasing Assessment to State Agencies, though the services provided would include Higher Education and other publicly funded entities.

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 FY13-14 operational expenditures.

	FY2015-16	FY2016-17
	Expenditures	Expenditures
General Funds	129,056	90,629
Cash Funds	133,760	93,933
Federal Funds	58,184	40,860
Revolving Funds	70,395	49,435
Total Funds	391,395	274,857

The bill does provide for the reimbursement by the council for costs incurred by Materiel. Should sufficient funds become available that Materiel is reimbursed by the council the Materiel-Purchasing Assessment would be adjusted and/or credits issued.

State Building Division and 309 Task Force will need one (1) additional position – an Administrative Assistant II to monitor purchases for compliance with this legislation at a cost of \$68,739 in FY15-16 and \$68,992 in FY16-17. These additional costs may result in an increase in rental rates. OCIO will need one (1) additional position – an Administrative Assistant II to monitor purchases for compliance with this legislation at a cost of \$68,739 in FY15-16 and \$68,992 in FY16-17. These increased costs may result in an increase in rates. Capitol Commission will need one additional position – an Administrative Assistant II to monitor purchases for compliance with this legislation at a cost of \$68,739 in FY15-16 and \$68,992 in FY16-17. The increased costs will require a General Fund increase.

The total estimated increased costs [without the increased appropriation for State Accounting] for these positions and the development costs are \$597,612 for FY15-16 [ $\$715,132 - \$117,520 = \$597,612$ ] and \$481,833 for FY16-17.

These costs include salary and benefits (health insurance is based on the State’s current share of the highest cost family plan); and ongoing annual operating costs (communication/data processing, printing/publication and supplies). There would also be a onetime cost in FY15-16 for the purchase of new equipment and set up costs of \$2,500 per position for a total of \$17,500.

It is unknown the amount and volume of the work as the Materiel Division isn’t currently responsible for procurement activities of political subdivisions, higher education, constitutional offices, the courts or all other publicly funded entities included in this legislation. If the volume of work is higher than anticipated, the Materiel Division will need additional staff positions.

In addition to the additional positions, this legislation could greatly increase cost to the state by adding cost to purchases of goods and services. The number of qualified goods and services available and the number of qualified entities are unknown, as is the cost and the incorporated fees for these purchases. Thus, the increased cost cannot be determined.

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**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

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**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
Administrative Assistant III	1	1	41,970	42,915
Staff Assistant II	3	3	102,360	104,664
Administrative Assistant II	3	3	108,951	111,402
Benefits.....			178,042	191,583
Operating.....			148,789	31,269
Operating – State Accounting (approp only)			117,520	
Capital outlay.....			17,500	
Aid.....				
Capital improvements.....				
TOTAL.....	7	7	715,132	481,833

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**2015**

**LB<sup>(1)</sup> 16**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Corrections

Prepared by: <sup>(3)</sup> Chris Peters Date Prepared: <sup>(4)</sup> 1/16/2015 Phone: <sup>(5)</sup> (402) 479-5702

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>104,384</u>	<u>0</u>	<u>103,634</u>	<u>0</u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS <small>Revolving</small>	<u>0</u>	<u>0</u>	<u>(2,097,997)</u>	<u>(3,738,091)</u>
<b>TOTAL FUNDS</b>	<u><u>104,384</u></u>	<u><u>0</u></u>	<u><u>(1,994,363)</u></u>	<u><u>(3,738,091)</u></u>

**Explanation of Estimate:**

Section 7 requires each agency to track and report purchases of products available from the nonprofit / rehabilitation program but are made with another entity. It is estimated that an additional Staff Assistant II would be necessary to complete this task. Additionally, a Buyer II would be added to current staff to review all purchases ensure the state agency complies with the Act. Work stations, including computers, would be needed.

Section 18 creates a purchasing preference which gives community rehabilitation programs first opportunity to fill the purchases of state agencies and political subdivisions. The preference in the bill has priority over the existing language requiring purchases to be made from NDCS's Cornhusker State Industries (CSI) unless available elsewhere at a lower cost. This proposed change would affect the number of products and services Cornhusker State Industries currently provides. Reviewing products and services provided by each shop, and the possibility that they would be available under this Act, results in an estimated reduction in sales of \$3.7 Million, or 37% of FY2014 related sales. It is estimated shops that are affected would see a reduction in their workload, ranging from about 20% (Welding), to 40% (Laundry), to 100% (Assembly, packaging). Expenses would also reduce by approximately \$2.1 million.

Assuming that the formation of the council, appointment of the central nonprofit agency, and other organizational requirements occur during FY2015-16, the impact of CSI loss of sales would not occur until FY2016-17.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Buyer II	<u>1</u>	<u>1</u>	<u>42,003</u>	<u>42,003</u>
Staff Assistant II	<u>1</u>	<u>1</u>	<u>33,369</u>	<u>33,369</u>
Reduction in CSI expenses from reduced sales				<u>(2,097,997)</u>
Benefits.....			<u>22,612</u>	<u>22,612</u>
Operating.....			<u>750</u>	<u>750</u>
Travel.....				
Capital outlay.....			<u>5,650</u>	
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u><u>104,384</u></u>	<u><u>(1,994,363)</u></u>

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

**2015**

**LB<sup>(1)</sup> 16**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska State Patrol

Prepared by: <sup>(3)</sup>

Carol Aversman

Date Prepared: <sup>(4)</sup>

1/14/2015

Phone: <sup>(5)</sup>

402-471-4545

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$41,115		\$38,115	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>\$41,115</u>		<u>\$38,115</u>	

**Explanation of Estimate:**

LB 16 requires that State Agencies purchase suitable products or services that meet applicable specifications and that is available within the time specified from a community rehabilitation program at the price determined to be fair market price. Additionally, the bill requires that each State Agency (1) designate an employee to ensure that the state agency complies with the Purchasing from Persons with Disabilities Act; and (2) reports to the Material Division and the Council on Purchasing from Persons with Disabilities the purchase of products or services available from the central nonprofit agency or community rehabilitation program but that are purchased from another entity that is not the central nonprofit agency or community rehabilitation program. In order to comply with the requirements of this bill, the State Patrol estimates the need to add one Staff Assistant I. Additionally, capital outlays will be required to purchase a computer, monitors and desk for this individual.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Staff Assistant I	1	1	\$28,875	\$28,875
Benefits.....			\$ 9,240	\$ 9,240
Operating.....				
Travel.....				
Capital outlay.....			\$ 3,000	
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u>\$41,115</u>	<u>\$38,115</u>

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

**2015**

**LB<sup>(1)</sup> 16**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Secretary of State

Prepared by: <sup>(3)</sup> Suzanne Hinzman

Date Prepared: <sup>(4)</sup> 1/16/2015

Phone: <sup>(5)</sup> 402-471-2384

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**Explanation of Estimate:**

The fiscal impact on this bill cannot be determined as it is not possible to identify which goods or services might be offered through a "community rehabilitation program" nor whether the cost of goods or services provided by such a program would in fact be at the same or lower price as a current vendor. Section 6 of the bill requires agencies to purchase items from a "community rehabilitation program" rather than through any other vendor regardless of the price. Therefore, if at any time the price of goods or services offered by the "community rehabilitation program" exceeds the price we can obtain such goods or services from another vendor, there would be fiscal impact at that time.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</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.

**2015**

**LB<sup>(1)</sup> 16**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus

Date Prepared: <sup>(4)</sup> January 15, 2015

Phone: <sup>(5)</sup> 472-7109

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2015-16		FY 2016-17	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$ 641,000		\$ 565,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$ 641,000</b>		<b>\$ 565,000</b>	

**Explanation of Estimate**

LB 16 requires the University to designate an employee for each campus for compliance and reporting (Buyer) on the Purchasing from Persons with Disabilities Act. Additionally, staff would be needed to constantly update our purchasing processes (eShop staff for online and PCard for Purchasing Cards). There would be a one-time capital outlay cost for adapting our e-procurement software for these products (assuming the catalog would be made available electronically – if not, a paper based systems would render the process essentially unusable)

This legislation also has potential to increase costs for goods and services in addition to the personnel costs if the non-profit does not update the list of products in a timely manner, but that impact is currently undeterminable.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2015-16	2016-17
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Buyer	4.00	4.00	\$ 168,000	\$ 168,000
eShop Staff	2.00	2.00	100,000	100,000
Purchasing Card Clerk	5.00	5.00	175,000	175,000
Benefits.....			111,000	111,000
Operating.....			22,000	11,000
Travel.....				
Capital outlay.....			65,000	
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$ 641,000</b>	<b>\$ 565,000</b>