



Hundredth Legislature - First Session - 2007
Introducer's Statement of Intent
LB 408

Chairperson: Ray Aguilar
Committee: Government, Military and Veterans Affairs
Date of Hearing: February 10, 2007

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

Seven years ago I began an effort which is consistent with goals and legislation passed by Senator Jerome Warner in 1995. Senator Warner's legislation requires state agencies to conduct a cost-benefit analysis to determine whether the state would save money by entering into a proposed contract for service when compared to using state employees to carry out the same services. In a survey I conducted of all state agencies, I learned that not a single state agency has conducted these cost-benefit analyses prior to entering into a contract for service. Just like Senator Warner, the goal of my efforts is not to favor one service delivery system over another, but to operate state government as a business. In order to accomplish this goal it is necessary for state agencies to identify and compare costs and benefits before a decision is made to enter into a contract for services or to provide the services using state employees.

The cost-benefit analysis requirements in LB 408 apply to all proposed contracts for services 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; or if the services are required for new programs that were not in existence within the previous 12 months. There are a number of agencies and services which would be exempt from this requirement.

Components of the cost-benefit analysis include:

- Projected agency cost savings for 12 and 60 months;
- Description of method to adequately assure control and monitoring of the contracted services;
- Assessment of feasibility of alternatives;
- Whether there is a public interest in providing services in-house rather than through a contract;
- A formal plan of assistance for any displaced employee which includes agency efforts to place a displaced employee in a vacant agency position or with another state agency;
- Demonstration that the agency has taken steps in considering alternatives to contracting, including reorganization, reevaluation of service, and of performance.

The bill does not require agencies to:

- Seek or be granted approval from DAS and/or the Legislature prior to entering into the contract; or
- Refrain from entering into the contract even if it would be more cost-effective to conduct the service in-house.

LB 408 merely requires state agencies to file a copy of the completed written cost-benefit analysis with the Legislative Fiscal Office in order that the Legislature – particularly the Appropriations Committee – will have access to all agency cost-benefit analyses without having to request each analysis individually.

Contracts for services are the fastest growing segment of the state's budget. The state contracts for over \$2 billion in services. Under the current budget process, neither the administration nor the legislature can assure Nebraska taxpayers that fiscal costs and benefits have been weighed in decisions regarding the expenditure of tax dollars for the state's contractual services. LB 408 would take a step towards providing policymakers important fiscal information about the expenditure of state funds.

Principal Introducer:

Senator Don Preister