

**ONE HUNDRED SECOND LEGISLATURE - SECOND SESSION - 2012**  
**COMMITTEE STATEMENT**  
**LB858**

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**Hearing Date:** Monday February 13, 2012  
**Committee On:** Government, Military and Veterans Affairs  
**Introducer:** Avery  
**One Liner:** Change requirements and exceptions for certain state contracts for services

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**  
**Aye:** 8 Senators Avery, Janssen, Karpisek, Pahls, Price, Seiler, Sullivan, Wallman  
**Nay:**  
**Absent:**  
**Present Not Voting:**

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<b>Proponents:</b> Senator Bill Avery Senator John Harms	<b>Representing:</b> Introducer Legislative Performance Audit Committee
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<b>Opponents:</b>	<b>Representing:</b>
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<b>Neutral:</b> Carlos Castillo	<b>Representing:</b> Department of Administrative Services
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**Summary of purpose and/or changes:**

LB 858 places additional requirements on state agencies contracting for services over \$25 million.

With this bill, an agency proposing to contract for services over \$25 million will submit to the materiel division of the Department of Administrative Services a copy of the proposed contract and a completed "proof of need analysis."

The proof of need analysis will include: the reason for purchasing the service instead of using state employees; a review of the long term cost savings; an explanation of how the state agency will have adequate control mechanisms to ensure the services are provided pursuant to the terms of the contract; and a justification for entering into the contract if the contract will not result in a cost-benefit to the state.

The materiel division will certify the proof of need analysis by determining whether the analysis contains the information required and will report to the state agency within 30 days. If the division certifies the analysis, the agency may enter into the proposed contract. If the division does not certify the analysis, it will inform the state agency of the additional information required.

The state agency will file the proposed contract, proof of need analysis and proof of certification with the Legislative Fiscal Office.

Also included in the bill is a change to the child welfare exception for service contracts. The change allows an exemption for service contracts with direct providers of medical, behavioral, or developmental health services, child

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care, or child welfare services to an individual if the contract is under \$25 million. If it is in excess of \$25 million, the service contract will not be exempted from competitive bidding provisions and other provisions of the personal services contracts statutes.

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**Explanation of amendments:**

The committee amendment makes several changes to the original bill.

First, the amendment adds language providing that the purpose of these service contract provisions is to establish an open and fair process for selection of contractual services, using performance-based contracting methods to the maximum extent practicable.

With the committee amendment, state agencies will not enter into a proposed contract for services in excess of \$15 million until the state agency has submitted to the materiel division a copy of the contract and a proof-of-need analysis. The original bill required contracts in excess of \$25 million to complete this process.

The amendment also changes the exemption for service contracts with direct providers of medical, behavioral, or developmental health services, child care, or child welfare services. These child welfare contracts will be exempted from certain service contract provisions if the contract is \$15 million or less.

Finally, the amendment clarifies the duties of the materiel division when certifying the proof-of-need analysis. The division will certify receipt of a proof-of-need analysis and report the receipt of the analysis to the state agency no more than 30 days after receiving it. Certification of the proof-of-need analysis means all of the information required for the proof-of-need analysis has been provided to the division by the state agency.

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Bill Avery, Chairperson