

PREPARED BY: Scott Danigole
 DATE PREPARED: March 02, 2022
 PHONE: 471-0055

LB 1037

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include amendment.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$400,000			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$400,000			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1037 requires the Department of Administrative Services (DAS) to contract for the completion of an evaluation of the state's procurement practices. This shall occur within 60 days of the effective date of LB 1037 and shall not be subject to any competitive bidding requirements.

An electronic report shall be filed with the Legislature and Governor on or before November 15, 2022.

DAS estimates the cost of entering into such a contract will be between \$200,000 and \$400,000. This is based on prior contracts for similar evaluations.

AM1887 incorporates the provisions of LB 1064 into LB 1037. LB 1064 gives the Materiel Division of DAS the power and duty to obtain an electronic procurement system which shall be funded or paid for by providing the system provider with a percentage or portion of identified transactions. This percentage or portion may be collected by the system provider from contractors and bidders. These provisions, added to LB 1037 have no fiscal impact.

There is no basis to disagree with the DAS estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1037	AM: 1887	AGENCY/POLT. SUB: Dept. of Administrative Services – Materiel Division
REVIEWED BY: Kimberly Burns	DATE: 03/02/2022	PHONE: (402) 471-4171
COMMENTS: No basis to disagree with the Department of Administrative Services' assessment of fiscal impact from LB 1037, as amended by AM 1887. The estimated E-Procurement tangible annual savings of up to \$1.8 million by FY 2024-25 may be overstated.		

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

2022

LB⁽¹⁾ 1037 AM 1887

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – Materiel Division - Purchasing

Prepared by: ⁽³⁾ Amara Block Date Prepared: ⁽⁴⁾ 2/28/2022 Phone: ⁽⁵⁾ 402-471-4114

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$400,000			
CASH FUNDS				
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	<u>\$400,000</u>			

Explanation of Estimate:

LB 1037 requires the Department of Administrative Services (DAS) to contract with an outside consultant with expertise in government procurement within sixty (60) days of the effective date of the bill for an evaluation of the state’s procurement practices. The evaluation calls for input from committee chairpersons, the Department of Health and Human Services and other using agencies deemed appropriate by DAS. Additionally, DAS must submit a report to the Legislature by November 15th, regarding recommendations for improvements to the state’s procurement policies and practices.

DAS estimates the cost of this type of contract ranges from \$200,000 - \$400,000 based upon other contracts for similar types of evaluations.

DAS requests a General Fund appropriation.

AM 1887 allows the materiel division to sustainably self-fund an electronic procurement system by providing the eProcurement system provider with a percentage or portion of identified transactions. The eProcurement system provider would be responsible for all upfront and required implementation/interface costs until the system went live.

It is anticipated that such funding model would allow the Department of Administrative Services (DAS) – Materiel to eliminate its yearly purchasing assessment once the system is up in running. DAS’ purchasing assessment is currently set at \$1,118,132.00 for FY22-23. DAS expects that shifting from a manual process to eProcurement system would result in an additional estimated annual savings up to \$1.8 million as a result of reduction in the labor hours needed to administer the process. Finally, based on data from other States, DAS also anticipates that the State would incur savings from lower prices from increased competition (due to greater accessibility to state bidding opportunities) and from the ability of state agencies to easily compare contracts to obtain the lowest price. For example, Virginia estimates that the ability to shop between contracts using an eProcurement system reduces costs by 9% when the system is utilized.

Because it is anticipated that the eProcurement system would be competitively procured and then would take time to implement, these savings may not be realized until FY24-25. The table below summarizes the estimated impact by fund type of the elimination of the purchasing assessment for FY24-25 assuming the assessment is held flat for the next biennium - FY23-25. The allocation by fund type is based on a four-year [2018-2021] average of the payment of previous purchasing assessments.

Fund Type	FY24-25
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General Fund	(\$367,921)
Cash Fund	(\$579,037)
Federal Fund	(\$51,736)
Revolving Fund	(\$119,438)
Total	(\$1,118,132)

The elimination of the purchasing assessment in FY24-25 would result in hard savings for the agencies, boards and commissions that were previously assessed. The revenue source to cover the future operational costs of the purchasing department would be the eProcurement system.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			\$400,000	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$400,000	