

7/11/11

PREPARED BY: Scott Danigole
DATE PREPARED: January 31, 2011
PHONE: 471-0055

LB 691

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$127,000		\$127,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$775,002	\$775,002	\$771,716	\$771,716
TOTAL FUNDS	\$902,002	\$775,002	\$902,716	\$771,716

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

LB 691 requires the Department of Administrative Services and other state agencies to purchase biobased products when purchasing equipment, materials or supplies.

The administrator of DAS – Materiel shall establish a biobased product preference program no later than 180 days after the effective date of the act.

Under the bill's provisions, the materiel administrator may determine that it is not possible for a biobased product to be purchased if any of several conditions apply. Among those conditions is the price of the product is an unreasonable price, meaning either of the following: 1) the price of the biobased product exceeds the price of a substantially equivalent nonbiobased product, or 2) the price of the biobased product exceeds the fair market value of a substantially equivalent nonbiobased product. The materiel administrator may determine a percentage, up to 5%, by which the biobased product may exceed the price or fair market value of a substantially nonbiobased product without being considered an unreasonable price.

The Department of Administrative Services estimates the need for three additional staff to address the increased workload associated with the bill's provisions. There is no basis to disagree with this estimate.

Beyond the need for additional staff to address workload issues, DAS estimates possible higher costs associated with the bill's provisions. Based on a 1% price increase to purchase biobased items, the additional cost to state agencies is estimated to be \$548,452 per year. This cost would be spread among all state agencies utilizing DAS Materiel services. It is impractical to address the additional cost for each state agency affected. Some small agencies would likely see very little increase; other larger agencies would face large increases. These costs at the agency level would need to be addressed in the budget/deficit process. DAS Materiel would also need the full \$548,452 in Revolving Fund authority to address increased costs. Since this estimate is based on 1% of historic costs and the bill provides for "up to 5%", the 1% amount is well within the bill's parameters. There is no basis to disagree with this estimate, but it should be noted that the increased costs for products could, in fact, be five times higher than estimated.

The University of Nebraska performs purchasing functions for itself. The University estimates the need for 1.25 FTE to address the bill's provisions. The staffing cost is estimated at \$89,500 per year. This appears to be reasonable. In addition, the University estimates higher costs associated with bio-based products in the amount of \$187,500 per year. This estimate is based on a five percent (5%) increase applied to \$3,750,000 of annual purchases. By applying the same standard of a 1% factor, the increased product cost for the University the increase would be \$37,500 per year. For purposes of uniformity, this is the figure utilized in the table above. Again, it should be noted that the increased costs for products faced by the University could, in fact, be five times higher than this estimate. The total figure for the University's estimated costs is identified in the General Fund line in the table above.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	1/28/11	PHONE	471-2526
COMMENTS					
ADMINISTRATIVE SERVICES: Agency's analysis appears to be reasonable.					
UNIVERSITY OF NEBRASKA: No basis to disagree with the agency's estimate of impact or assumptions made. Per the University's FY 2011 Operating Budget, General Funds represent 23% of the overall fund sources available. Using this 23% number, the General Fund impact would be closer to \$63,710.					

2011 Legislative Bill Proposal Fiscal Note

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LEGISLATIVE FISCAL

Bill #: 691
State Agency: Administrative Services
Prepared by: Brenda Pape
Approved by:

Date Prepared: 1/25/11 Phone: 402-471-0970

Estimate of Fiscal Impact – State Agencies

	FY 2011-12		FY 2012-13	
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds	226,550.00	226,550.00	223,264.00	223,264.00
Total Funds	226,550.00	226,550.00	223,264.00	223,264.00

Explanation of Estimate:

LB691 provides for preference for the purchase and use of biobased products. This bill provides for Materiel Division to establish a product preference program for agencies and Materiel Division to purchase biobased products. The purchase of these items is to comply with regulations found in 42 U.S.C. 6914B-1, administered by the U.S. Environmental Protection Agency. The federal government has designated products as well as the minimum amount of biobased content in subpart B, 7 C.F.R. 2902.10 to 2902.42 as they existed on January 1, 2011.

This legislation has the potential to add to the cost of the product being purchased. Based on 2010 expenditures, an assumption of a 1% increase in cost of these products is an estimated additional \$548,452.00 for a one year period. The actual impact cannot be determined at this time. The estimated increased costs were allocated by fund type using a six year average (2004-2009) of operating costs only. See table below.

	FY 2011-12		FY 2012-13	
	Expenditures	Revenue	Expenditures	Revenue
General Funds	205,220.00		205,220.00	
Cash Funds	141,124.00		141,124.00	
Federal Funds	101,108.00		101,108.00	
Revolving Funds	97,720.00		97,720.00	
Other Funds	3,280.00		3,280.00	
Total Funds	548,452.00		548,452.00	

The Materiel Division would need to increase staff in order to conduct significant research due to the federal requirements referenced to insure compliance or availability, develop a process for bidding products and services with this preference and analyzing these bids once received in order to make a determination on whether the products meet the federal requirements, the cost is reasonable, was there adequate competition, products are of like quality, updating Rules and Regulations, as well as significant reporting requirements.

Materiel Division will be required to adopt policies and procedures for agencies to follow when setting minimum biobased content specifications and awarding contracts in a manner that ensures the biobased content of these products is consistent under 7 U.S.C. 8102. Vendors will be required to certify their products meet the statute requirements. This would require three additional FTE's, resulting in an increase in the program's revolving expenditures of \$226,550.00 in FY 11-12 and \$223,264.00 in FY12-13. See below for salaries, benefits and operating costs. FY11-12 includes one time equipment costs for each new FTE. These increased program costs would result in an increase in the program's statewide Purchasing Assessment.

Major Objects of Expenditure

Personal Services:

Position Title:	Number of Positions			2011-12	2012-13
	11-12	12-13		Expenditures	Expenditures
Attorney II	1	1		48,982.00	49,962.00
Buyer III	1	1		45,269.00	46,175.00
Staff Assistant I	1	1		27,739.00	28,294.00
Benefits	3	3		82,705.00	84,478.00
Operating	3	3		14,355.00	14,355.00
Travel					
Capital Outlay	3			7,500.00	
Aid					
Capital Improvements					
TOTAL				226,550.00	223,264.00

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LEGISLATIVE FISCAL

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

LB⁽¹⁾ 691 FISCAL NOTE

State Agency OR Political Subdivision Name: University of Nebraska
(2)

Prepared by: (3) Michael Justus Date Prepared: (4) February 8, 2011 Phone: (5) 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	277,000		277,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	277,000		277,000	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.
Explanation of Estimate:

LB 691 sets up a preference for bio-based products and requires annual reporting on the purchases of those products. If the University's annual non-salary spend is approximately \$75 million and 5% of the products are provided for under this bill, that would bring \$3,750,000 in purchases under the bill. If the increased cost is the 5% indicated in the bill, that is \$187,500 of additional expense.

Additionally, the reporting required under the bill is a significant change. We would likely add a purchaser to create the list and identify products. We currently are not able to track by specific product all purchases. We are unsure how we would accomplish this at this point. If we were to have to manually track these purchases we estimate we would require some portion of a clerical FTE to accomplish the reporting.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	NUMBER OF POSITIONS		2011-2012	2012-2013
	11-12	12-13	EXPENDITURES	EXPENDITURES
Buyer	1.0	1.0	65,000	65,000
Purchasing Clerk	.25	.25	6,500	6,500
Benefits.....			18,000	18,000
Operating.....			187,500	187,500
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			277,000	277,000