

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

LB 87 requires all state contracts for services to be awarded to United States companies and the contract work shall be performed in the United States. In addition, preference in the bidding process shall be given to Nebraska-based companies which employ more than ten individuals.

The impact of LB 87's provisions are potentially far reaching. The impact of these provisions cannot be adequately quantified without a thorough, exhaustive search of each agency's current and planned service contracts. For that reason, the fiscal impact cannot be determined at this time. However, some likely and potential impacts include:

- Higher costs associated with the bidding process to determine proper preferential treatment for Nebraska-based companies which meet the designated criteria;
- Higher costs associated with bidding to determine a company's eligibility due to the company's status as a US company;
- Higher costs associated with bidding and the contract itself due to requirements that the work is performed in the US;
- Impact with other states which have reciprocal agreements with Nebraska;
- Current contracts, when up for renewal, may not be renewable due to the bill's provisions. Some examples include:
 - The University's contract with SAP, a German-based company, for the University's Accounting system;
 - Nebraska Employee Retirement System's contract for the PIONEER computer system provides for 2 FTE on-shore persons and 1 FTE off-shore person to supply maintenance and support

The restrictions on service contracts are likely to decrease the number of bidders and potentially drive up the cost of service contracts in general.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Joe Wilcox	DATE	1/22/07	PHONE	471-2526
COMMENTS					
DEPARTMENT OF CORRECTIONAL SERVICES: Concur with agency analysis.					
DEPARTMENT OF EDUCATION: Concur with agency analysis for Department of Education.					
GOVERNOR'S OFFICE: Concur with agency analysis for Agency 07 on service contracts.					
NEBRASKA INVESTMENT COUNCIL: No basis to dispute agency assertions.					
NEBRASKA EMPLOYEE RETIREMENT SYSTEM: No basis to dispute agency analysis.					
DEPARTMENT OF ROADS: No specific estimates were given but agree with agency conclusion that the bill has the potential to increase costs to the agency.					
UNIVERSITY OF NEBRASKA: The agency impact indicated seems to apply to only one service contract—the SAP accounting system. It is likely there are other contracts which would fall under this bill. This item has "sticker shock" to draw attention to the situation and may or may not fall under the bill parameters.					