

Government, Military and Veterans Affairs Committee

LB 371

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Department of Health and Human Services

Good afternoon Senator Avery and members of the Government, Military and Veterans Affairs Committee. I'm Kerry Winterer, [K-E-R-R-Y W-I-N-T-E-R-E-R] CEO of the Department of Health and Human Services. I'm here to testify in opposition to LB 371, which requires state agencies to provide an annual report with information regarding the number and value of contracts and subcontracts awarded by each state agency within Nebraska and outside of the United States including the dollar value of any articles, materials, supplies, or services purchased or contracted.

The Department has serious concerns about the feasibility of compiling, and subsequently reporting, the significant amount of information outlined in LB 371. In its current form, LB 371 must be read to require reporting of each item purchased by State agencies whether through an ongoing procurement invoice, a purchase of software and support services, or a contract. This raises logistical concerns of accounting for all office supplies, educational materials, and other small yet often purchased items in addition to items which may be used by a contractor as parts for services such as a facility repair.

It will also be very difficult to account for the goods, materials or services that may be used in completion of a subcontract. In many cases we have no reason to know who our contractor's subcontractors are and certainly have no records to allow us to include their products or services on this report. We, like other state agencies, will have to rely on the contractor to work directly with all of its subcontractors to account for, and eventually compile, all of the required information. It is reasonable to assume the contractor and subcontractor will include the costs of collecting and reporting this data into each contract or bid, resulting in increased costs to the State.

DHHS currently has some 3424 contracts and letters of agreement in place. Assuming that on average each contractor has 10 subcontractors providing products or services to it, the result would be 34,240 separate agreements that would need to be considered in compiling the report. We have over 100 locations and 10 24hour facilities. This bill would apparently extend to those locations and the goods and services they routinely purchase locally.

Compliance with the reporting requirements of LB 371 will obviously have a fiscal impact. We project that there will be a fiscal impact associated with the tracking and compilation of information that will be included in each annual report. It is anticipated that the Department will be required to add full-time employees whose positions will be exclusively focused on preparation and submission of the annual report required by LB 371. It is important to note

that the duties of these additional employees will extend beyond a simple aggregation of data, and involve the much more time consuming task of tracking each and every item or service purchased by the agency. In addition entities competing for state contracts will have the added burden of complying with the disclosure requirements of LB 371 potentially driving up costs to the state. Our fiscal note projects an additional 3 full time positions at a cost of \$156,226 the first year and \$208,301 the second year of the biennium. This does not include cost for time spent by staff in each office and facility. We are only one agency. What are the benefits from this bill that would justify this kind of expenditure by DHHS and other state agencies?

There are significant hurdles, fiscally and practically, to compliance with the annual reporting requirements of LB 371. Thank you for the opportunity to be here today. I'm happy to answer any questions you may have.