

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	14,000,000		14,000,000	
CASH FUNDS				
FEDERAL FUNDS	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)
OTHER FUNDS				
TOTAL FUNDS	0	(14,000,000)	0	(14,000,000)

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

LB 428 changes provisions of the Employment Security Law by requiring the Commissioner of Labor to waive the requirements of section 48-627(1) for a period of not less than 120 days in the case of an individual attached to a regular job within an employer with a North American Industry Classification System code of 237310, Highway, Street, and Bridge Construction.

According to the Nebraska Department of Labor (NDOL), the provisions of LB 428 create a conformity issue with the US Department of Labor (USDOL). The USDOL has provided an informal opinion that LB 428 fails to conform with federal requirements because it treats employees in a specific industry differently and the length of the work search waiver is unreasonable (120 days).

NDOL estimates that the provisions of LB 428 will result in the loss of approximately \$14,000,000 annually in federal grant funds for Nebraska's unemployment insurance program. In order to continue operating the unemployment program in Nebraska, the lost federal funds would need to be restored with General Funds.

There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 428	AM:	AGENCY/POLT. SUB: Department of Labor	
REVIEWED BY: Neil Sullivan	DATE: 3/13/2019	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Labor assessment of fiscal impact from LB 428.			

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2019

LB⁽¹⁾ 428

FISCAL NOTE

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

Prepared by: ⁽³⁾ Katie Thurber Date Prepared: ⁽⁴⁾ 2/26/2019 Phone: ⁽⁵⁾ 402-471-9912

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$14,000,000		\$14,000,000	
CASH FUNDS				
FEDERAL FUNDS	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)
OTHER FUNDS				
TOTAL FUNDS	\$0.00	(\$14,000,000)	\$0.00	(\$14,000,000)

Explanation of Estimate:

As drafted, LB 428 creates a United States Department of Labor (USDOL) conformity issue. USDOL has provided an informal opinion that LB 428 does not conform with federal requirements because (1) it treats employees in a specific industry differently, and (2) the length of the work search waiver (120 days) is unreasonable. If LB 428 passed as drafted, NDOL would lose approximately \$14 million annually in federal grant funding for Nebraska's unemployment insurance program. This impact is noted in the table above with a decrease in revenue from Federal Funds and an increase in expenditures of General Funds replacing the current Federal Funds expense. The shift of funding source is to enable NDOL to continue operating an unemployment program for Nebraska.

Further, Nebraska employers would lose their Federal Unemployment Tax Act (FUTA) credit. The FUTA tax is 6.0% on the first \$7,000 an employee earns. Any earnings beyond \$7,000 are not taxed. Currently, the tax credit is 5.4%. Losing this tax credit would increase taxes on Nebraska employers in excess of \$400 million. This impact is not noted in the table above.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				