

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS	See Below	See Below	See Below	See Below
OTHER FUNDS	See Below	See Below	See Below	See Below
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 993 allows the Auditor of Public Accounts to share his or her working papers, other than personal information and telephone records, with the Legislative Council. The Auditor is also allowed to share his or her working papers with the Internal Revenue Service, the Tax Commissioner, the Federal Bureau of Investigation, a law enforcement agency as defined in section 28-359, and the Nebraska Accountability and Disclosure Commission.

Section 3 requires that work hours shall be recorded on a timesheet and reviewed and approved by a direct supervisor or the head of the department or his or her designee prior to payment.

The University of Nebraska estimates a cost of \$2.7 million per year to address the new requirements in section 3. This estimate is based on 1 minute per day per timesheet to prepare and 1.5 minutes per week per timesheet to review the submitted information. In addition, an initial cost of \$300,000 to reconfigure their accounting system is estimated. There is no basis to disagree with this estimate.

The Department of Administrative Services estimates the cost of internal development to create timesheets, establish security roles, approval routing, etc. to be \$35,200. External development costs are estimated to be \$5,400. System test setup and reports is estimated to be \$3,120. The total DAS estimate is \$43,720. There is no basis to disagree with this estimate.

There are potential costs for many state agencies, boards, and commissions related to the provisions found in section 3 of the bill. It is not possible to ascertain the actual costs, if any, that each such entity would incur.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 993	AM:	AGENCY/POLT. SUB: Dept. of Administrative Services
REVIEWED BY: Lyn Heaton	DATE: 2/2/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Administrative Service's analysis.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 993	AM:	AGENCY/POLT. SUB: Auditor
REVIEWED BY: Lyn Heaton	DATE: 2/2/2016	PHONE: 471-4181
COMMENTS: Concur. No fiscal impact on the Auditor's Office.		

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

2016

LB⁽¹⁾ 993

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) - State Personnel/Employee Relations, State Accounting

Prepared by: ⁽³⁾ Josh Stafursky Date Prepared: ⁽⁴⁾ January 20, 2016 Phone: ⁽⁵⁾ 402-471-4165
Jerry Broz 402-471-0600

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	43,720	43,720	_____	_____
TOTAL FUNDS	<u>43,720</u>	<u>43,720</u>	<u>_____</u>	<u>_____</u>

Explanation of Estimate:

LB993 would add a provision to current state law requiring that all state officers and heads of departments and their deputies, assistants, and employees, record hours worked on a timesheet. The timesheet must be reviewed and approved by a direct supervisor or head of the department or his or her designee. It is believed that the intent of the bill is to require that all employees, including exempt and discretionary employees, to complete timesheets.

Currently only hourly (non-exempt) employees are required, by law, to record hours worked. These employees are also eligible for overtime and are not paid a set salary but are paid for each hour worked. If this bill is enacted, this requirement will add work time for state employees who do not currently complete a timesheet (exempt employees) and will increase administrative work time for supervisors who will be required to ensure that a new group of employees have completed timesheets and that those timesheets are reviewed. Exempt employees are paid a set salary, although they may be required to work set hours they are not eligible for overtime, and except under limited circumstances, deducting from an exempt employee's pay for hours not worked violates the Fair Labor Standards Act.

Approximately 4,700 employees, across all branches of government, are currently exempt (non-hourly). It is impossible to determine whether any of these individuals are currently completing timesheets.

Assuming these employees would be required to record their hours in the state accounting system, DAS State Accounting would incur one-time expenses to create additional time tracking versions in EnterpriseOne (E1). State Accounting will need to add new groups of employees who will now be required to track time for agencies, boards and commissions currently using E1 for tracking time. This assumption is used to estimate the number of hours that will be required to complete the process outlined below.

Internal development time will be required to create timesheets, establish security roles, approval routing, etc. This is estimated to take 640 hours at a fully loaded cost (salary and benefits) per hour of \$55 for a total of \$35,200 (640 hrs. x \$55 per/hr. = \$35,200).

There would also be a need for external development time to create custom integrity reports. This is estimated to take 40 hours at a cost of \$135 per hour for a total of \$5,400 (40 hrs. x \$135 per/hr. = \$5,400).

Finally there would be the need for approximately 80 hours of internal functional staff time to complete system test setup and reports. The fully loaded cost for this staff is \$39 per hour for a total of \$3,120 (80 hrs. x \$39 per/hr. = \$3,120).

The table below summarizes the estimated DAS State Accounting costs that are explained above:

Type of Work	Hours	Cost per Hour	Total
Internal Development	640	\$55	\$35,200
External Development	40	\$135	\$5,400
Internal Functional Staff	80	\$39	\$3,120
TOTAL			\$43,720

The cost of internal development and the internal functional staff are currently included in the DAS State Accounting budget, however the potential would exist that the hours required for this project would mean other E1 projects, problems, customer requests or tasks won't be met. This could result in the need for overtime, the need to hire temporary staff or additional external development costs. The cost of the external development time would be an additional cost.

To insure that State Accounting has the necessary resources to meet current requirements as well as those outlined in LB933, the program will require an increase of revolving appropriation and an increase in the Accounting Assessment of \$43,720.

The table below summarizes the impact by fund type of the increased statewide Accounting Assessment. The allocation by fund type is based on total FY13-14 operational expenditures:

	FY2016-17
	Expenditures
General Funds	11,666
Cash Funds	16,224
Federal Funds	9,204
Revolving Funds	6,626
Total Funds	43,720

The FY16-17 State Accounting Assessment has already been published. The increased assessment would require additional appropriation or the use of existing resources.

These estimates do not include additional time and costs if an agency, board or commission who may be using a time and attendance platform other than E1, may elect, as a result of this legislation, to begin using E1 functionality.

In addition, by requiring exempt employees to record hours worked in the same manner as an hourly employee, the state may increase its overtime exposure under state and federal wage and hour laws in the event an employee claims he or she is improperly classified. Under the federal standard, classification is determined by the totality of circumstances and not by nomenclature, such that if the exempt status of a position is in question, time tracking is one consideration a court or the Department of Labor may use to find the position to be non-exempt and therefore subject to the overtime payments.

Thus, the bill as written may increase the State's exposure to potential litigation, back wages, federal penalties and oversight.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			43,720	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL			43,720	

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

2016

LB⁽¹⁾ 993

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Auditor of Public Accounts

Prepared by: ⁽³⁾ Mary Avery Date Prepared: ⁽⁴⁾ 01/22/2016 Phone: ⁽⁵⁾ 402-471-3686

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 993, as currently written, would allow audit workpapers to be shared with specific entities, authorize designee on a board, and require timesheets. Any work necessary will be absorbed using the existing appropriations of Agency 010, Auditor of Public Accounts. At this time, there would be no additional fiscal impact to Agency 010-Auditor of Public Accounts.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2016

LB⁽¹⁾ 993

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska State College System (NSCS)

Prepared by: ⁽³⁾ Carolyn Murphy

Date Prepared: ⁽⁴⁾ 2/3/2016

Phone: ⁽⁵⁾ 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>Unable to determine</u>	_____	<u>Unable to determine</u>	_____

Explanation of Estimate:

The portion of LB993 that will have a fiscal impact on the NSCS is located on page 4 where language is added stating "Such hours shall be recorded on a timesheet and reviewed and approved by a direct supervisor or the head of the department or his or her designee prior to payment".

The first impact relates to existing FLSA-exempt employees, who currently do exception reporting on a monthly basis (in arrears). The current structure requires these employees to report any weeks where they did not work at least 40 hours per week, by reporting any leave taken during the prior monthly period. These employees also sign or electronically acknowledge a statement that certifies they either worked or were on approved leave for at least 40 hours each week in the prior month or in accordance with separate employment contract and/or agreement, and that the information on SAP Employee Self Service (leave tracking system) is correct. Requiring employees to do timesheets each week and requiring their supervisors to review and approve each timesheet will add to the workloads of these employees, who are often already working well beyond 40 hours each week. *While it is difficult to place a specific cost on the additional time that these individuals will have to work to assure timesheets are completed and reviewed and approved on a timely basis, it is clear there will be significant costs.* This proposed change would also add significant workload to the Colleges' Human Resource Departments.

The second fiscal impact relates to a re-design of the NSCS payroll system (which is processed through the SAP accounting system -- in partnership with the University of Nebraska). FLSA-exempt employees are paid on a monthly basis, and as noted above, these employees provide exception reporting in arrears. The bill would require that supervisors review and approve all timesheets "prior to payment". This would require a change in the timing of payroll for employees and may delay the NSCS's ability to pay these individuals until their timesheets are in and approved; or a change to an entirely different structure of pay cycles. The initial fiscal impact on employees due to later receipt of paychecks has no direct cost to the NSCS, but does have a direct financial impact on NSCS employees. *The cost for the NSCS would be the cost identified by the University of Nebraska related to the SAP system changes.*

It is also not clear how the proposed changes may conflict with existing RRS 48-1230.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2016

LB⁽¹⁾ 993

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ February 1, 2016 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>1,200,000</u>	<u> </u>	<u>1,080,000</u>	<u> </u>
CASH FUNDS	<u>780,000</u>	<u> </u>	<u>702,000</u>	<u> </u>
FEDERAL FUNDS	<u>120,000</u>	<u> </u>	<u>108,000</u>	<u> </u>
OTHER FUNDS	<u>900,000</u>	<u> </u>	<u>810,000</u>	<u> </u>
TOTAL FUNDS	<u>3,000,000</u>	<u> </u>	<u>2,700,000</u>	<u> </u>

Explanation of Estimate:

LB 993 would require timesheets to be prepared by all exempt salaried employees and reviewed by their supervisor. Assuming 1 minute a day to prepare and 1 ½ minutes a week to review (with no errors or corrections), we estimate the cost to be approximately \$2.7 million of staff preparation and review time.

Our accounting system is currently not set up to have salaried individuals submit timesheets, so system modifications would be required. We estimate the cost of reconfiguration and consulting to be at a minimum \$300,000.

One item that we need further clarification on is the phrase, "prior to payment" from page 4 line 23. The University often has employees out state, out of the state or country who may not have access to our payroll system from their location, so acquiring the necessary timesheets submittals and approvals, prior to payroll, could be challenging. Our payroll system may also require additional security enhancements to access payroll remotely. It also is unclear how we can lawfully withhold, all or a portion of, an employee's payroll given the Wage Payment and Collection Act and the Federal Fair Labor Standards Act regulations. We are unable to determine the fiscal impact of these issues without more information.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Various	<u> </u>	<u> </u>	<u>2,700,000</u>	<u>2,700,000</u>
Benefits.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating.....	<u> </u>	<u> </u>	<u>300,000</u>	<u> </u>
Travel.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aid.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital improvements.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u>3,000,000</u>	<u>2,700,000</u>