

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

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

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

LB896 provides a schedule of pay increases for state employees based on length of service. The pay increases shall be in addition to any other pay increases.

Utilizing the State’s Human Resource System, the Department of Administrative Services estimates the fiscal impact for all state agencies, except the University and State Colleges, to be as follows should the schedule of salary increases be implemented.

	<b>FY2016-17</b>	<b>FY2017-18</b>
<b>General Funds</b>	279,636	958,788
<b>Cash Funds</b>	133,494	457,709
<b>Federal Funds</b>	99,312	340,513
<b>Revolving Funds</b>	22,238	76,247
<b>Total</b>	534,680	1,833,257

Several items should be noted.

- There are 16,379 state employees, excluding the University and State College, of which 10,750 are covered by collective bargaining agreements.
- Longevity pay is a topic of collective bargaining.
- Section 81-1371(9) provides that the collective bargaining contract supercedes state law.
- For FY2016-17, LB896 would impact only those state employees not covered by a collective bargaining agreement since an agreement is already in effect for bargaining employees.
- For FY2017-18 and beyond, the number of state employees impacted would depend on what is agreed to during collective bargaining.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 896	AM:	AGENCY/POLT. SUB: Nebraska University
REVIEWED BY: Gary Bush	DATE: 1/25/16	PHONE: 471-4161
COMMENTS: Concur.		

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 896	AM:	AGENCY/POLT. SUB: Nebraska State College System
REVIEWED BY: Gary Bush	DATE: 1/20/16	PHONE: 471-4161
COMMENTS: Agree with the estimate provided by the Nebraska State College System.		



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

**2016**

**LB<sup>(1)</sup> 896**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus Date Prepared: <sup>(4)</sup> Jan 13, 2016 Phone: <sup>(5)</sup> 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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

The bill provides for pay increases for State employees based on longevity. Although it is not explicit, the University does not think this bill applies to us because it appears to relate to state employees that are part of the state personnel system (see page 3 line 11 and 12), which we are not.

Based on our interpretation there is no fiscal impact from this bill.

**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<sup>(1)</sup> 896

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Administrative Services

Prepared by: <sup>(3)</sup> Bo Botelho  
Ann Martinez Date Prepared: <sup>(4)</sup> 01-14-2016 Phone: <sup>(5)</sup> 402-471-0972  
402-471-4135

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	279,636		958,788	
CASH FUNDS	133,494		457,709	
FEDERAL FUNDS	99,312		340,513	
REVOLVING FUNDS	22,238	22,238	76,247	76,247
TOTAL FUNDS	534,680	22,238	1,833,257	76,247

**Explanation of Estimate:**

LB896 provides a pay increase to State employees to recognize their commitment to the State of Nebraska. These pay increases will be based on the length of service of a State employee and will be in addition to any other pay increase provided for in state law or in any collective bargaining agreement.

Each salaried State employee will be entitled to a pay increase ranging from \$.0625 per hour to \$.50 per hour on their fifth through fortieth anniversary of their date of employment.

In the first fiscal year 15% of employees will get a longevity increase; in the second fiscal year 17.8% will get an increase.

The Enterprise-wide impact of LB896 is estimated to be **\$534,680** in FY16-17: \$464,333 in Personal Service Limitation (PSL) and \$70,347 in Benefits; FICA 7.65% and Retirement 7.50% (\$464,333 x 15.15% = \$70,347). In FY17-18 the Enterprise-wide impact is estimated to be **\$1,833,257**: \$1,592,060 in PSL and \$241,197 in Benefits (\$1,592,060 x 15.15% = \$241,197).

Using a Workday file from 12/31/2015 a cost estimate for LB896 was developed. Below are the assumptions and notes:

**Assumptions –**

1. The effective date of the act will be 7/15/2016. Original hire dates were used. Adjusted service dates are what is currently being used to calculate service awards, vacation, etc. and not the original date of hire. Further the bill allows State Personnel to promulgate rules or regulations to carry out the requirements of this bill. It would be the intent to utilize the adjusted hire date to account for short gaps in service.
2. The cost is calculated based on all current employees remaining with the State for the years included in the estimate; if employees receiving increases terminate, the cost will decrease.
3. Years of service will not be rounded up. In other words an employee with 4.999 years of service will not receive a 5 year longevity increase.
4. LB896 refers to salaried employees which is the equivalent of Exempt employees only. However, this Fiscal Note provides estimates that include all employees - Exempt and Non-Exempt employees.

**Notes –**

1. The costs include all employees except temporary employees.
2. The costs do include resulting increases in benefits (retirement, FICA) associated with the increased cost.
3. The first year increase is lower than the second year because the longevity increase is implemented on the employee's anniversary date. Thus the first year cost of an individual with a December anniversary date is half of the second or full year cost.
4. A factor that is not included in the second year costs is the impact of any 'across the board' salary increase in FY17-18. At this time it is not known what that might look like, i.e. what is the increase to the base salary caused by the longevity increase. For example, employee A with 1 year of service earns \$20.00 hr.; employee B with 30 years of service earns \$20.00 hr. Employee A does not receive a longevity increase; employee B receives a \$.375 hr.

increase. If on July 1, 2017 a 2.5% 'across the board' increase is given to all employees, employee A's hourly rate would be \$20.50; employee B's hourly rate would be \$20.884, a difference of \$.384 hr. or \$799 annually.

The table below summarizes the impact by fund type of the estimated increased Enterprise-wide costs. The allocation by fund type is based on the Statewide FY14-15 PSL expenditures.

	FY2016-17	FY2017-18
	PSL/Benefits	PSL/Benefits
General Funds	279,636	958,788
Cash Funds	133,494	457,709
Federal Funds	99,312	340,513
Revolving Funds	22,238	76,247
Total Funds	534,680	1,833,257

In addition to the increased General, cash and revolving fund appropriation, the additional revolving fund costs for FY16-17 and FY17-18 could require an increase in statewide assessments, rates and/or surcharges. These increases could be passed along to the Agency's statewide customers resulting in possible increases in General and other funding requests from other State Agencies.

This bill provides for pay increases in addition to those set by collective bargaining. This may set up a situation where there are conflicts of law. Neb. Rev. Stat. Section 81-1371(9) provides that the State may bargain terms and conditions of employment that are otherwise set by law. Therefore, this provision could be bargained away if the parties agreed upon a wage plan that specifically excluded it. This bill also creates uncertainty in a situation where the parties reach impasse in negotiating wages. In such a situation the wage offer closest to comparability might contain a provision eliminating the pay increase set out in this bill. The Commission of Industrial Relations has the authority to establish rates of pay (Neb. Rev. Stat. Section 81-1383(2) (a)), but it is unclear whether that authority would allow the choice of a wage offer that cancelled a statutory provision.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2016-17	2017-18
	16-17	17-18	EXPENDITURES	EXPENDITURES
Various - PSL			464,333	1,592,060
Benefits.....			70,346	241,197
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>534,680</b>	<b>1,833,257</b>

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

**2016**

**LB<sup>(1)</sup> 896**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Department of Roads

Prepared by: <sup>(3)</sup> Becky Fleming

Date Prepared: <sup>(4)</sup> 1/28/2016

Phone: <sup>(5)</sup> (402) 479-4692

**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	\$921,372		\$173,197	
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>\$921,372</u>		<u>\$173,197</u>	

**Explanation of Estimate:**

LB 896 requires pay increases for state employees to recognize length of service. Pay increases will be based on the length of service and are in addition to any other pay increase provided for. A pay increase of \$.0625 will begin at the fifth year anniversary from the employees' date of hire and increase every 5 years up to the fortieth year anniversary by an additional \$.0625 each year.

	<u>Initial Impact FY17</u>	<u>Yearly Impact</u>
	Approx 1600 employees	Approx 335 Employees
Pay Increase	\$800,150	\$150,410
FICA	61,211	11,506
Retirement	<u>60,011</u>	<u>11,281</u>
<b>Total Costs</b>	<b>\$921,372</b>	<b>\$173,197</b>

Increases were calculated with the assumption that all employees with 5 years or more service will initially receive a pay increase based on their length of service as of July 1, 2017.

**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>		
Pay Increases			\$800,150	\$150,410
Benefits.....			121,222	22,787
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$921,372</b>	<b>\$173,197</b>

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

**2016**

**LB<sup>(1)</sup> 896**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska State College System (NSCS)

Prepared by: <sup>(3)</sup> Carolyn Murphy

Date Prepared: <sup>(4)</sup> 01/19/2016

Phone: <sup>(5)</sup> 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>No Impact</u>	_____	<u>No Impact</u>	_____

Explanation of Estimate:

LB896 would provide certain pay increases to state employees. The definition of a state employee exempts boards or commissions. Therefore, the bill does not apply to the NSCS.

**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.....	_____	_____	_____	_____