

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	10,890 - 470,919		9,240 – 454,209	
CASH FUNDS	8,910		7,560	
FEDERAL FUNDS	9,900		8,400	
OTHER FUNDS	94,991	75,191	91,575	74,775
TOTAL FUNDS	124,691 – 584,720	75,191	116,775 – 560,744	74,775

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

LB 99 changes provisions of the Prompt Payment Act.

Section 1 provides a definition for “Small Business”.

Section 2 requires agencies to make payment in full for all goods delivered or services rendered by a creditor which is a small business, on or before the fifteenth (15th) calendar day after receipt. For other creditors, the payment is due on or before the forth-fifth (45th) calendar day.

The University of Nebraska estimates the need for one half-time FTE to address the requirements of LB 99. While they don't currently track “Small Businesses”, their estimate is based on the assumption that slightly half of the 30,000+ vendors they utilize may fall into this category. There is no basis to disagree with this estimate.

The Nebraska State College System anticipates that the bill's provisions may have some impact, but it is indeterminate at this time.

The Department of Administrative Services estimates the need for one new FTE to address the bill's provisions. The total cost estimated is \$75,191 in the first year and \$74,775 the second year. There is no basis to disagree with this estimate.

The Department of Health and Human Services estimates the need for 3.5 FTE to address the shorter processing time required by LB 99. According to DHHS, current processing time ranges from 12-19 days. LB 99 reduces the processing time for small businesses to 15 days, a reduction of 4 days from what DHHS currently identifies as the maximum processing time. It is possible that DHHS will need 3.5 FTE to shorten processing time by 4 days, but this level of staffing appears to be excessive. Due to the uncertainty of this estimated amount, the table above reflects a range of dollars.

The Department of Correctional Services (DCS) estimates the need for 5.0 FTE to address the processing time requirements found in LB99. No information regarding current processing time is provided. Similarly, no data regarding the current staffing level associated with payment processing is provided. Again, DCS may require 5.0 positions to fulfil LB99's provisions, but that seems unlikely when compared to the DAS estimated need of 1.0 FTE and the University of Nebraska's estimate of 1.5 FTE needed to process payments for 30,000+ vendors. For this reason, the General Fund expenditure amount in the table above is provided as a range.

Any agency with small business vendors may be impacted by the provisions of LB 99. Without a full surveying of each agency, board, and commission, a reasonable statewide estimate is not possible. Even then, a full survey would likely produce multiple “indeterminate” responses. From the responses received, it does not appear that the total cost to any one agency will be a significant burden. If any agency is impacted by costs associated with the implementation of LB 99, those agencies will have the opportunity to address such issues during the normal budget request and deficit processes.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 1/24/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska assessment of fiscal impact from LB 99.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: Nebraska State College System
REVIEWED BY: Neil Sullivan	DATE: 1/23/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska State College System estimate of indeterminate fiscal impact from LB99.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: Department of Administrative Services
REVIEWED BY: Neil Sullivan	DATE: 1/23/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Administrative Services assessment of fiscal impact from LB 99.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: Department of Health and Human Services
REVIEWED BY: Neil Sullivan	DATE: 1/24/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Health and Human Services assessment of fiscal impact from LB99.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: Nebraska Department of Correctional Services
REVIEWED BY: Neil Sullivan	DATE: 1/30/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Department of Correctional Services assessment of fiscal impact from LB 99.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 99	AM:	AGENCY/POLT. SUB: Supreme Court
REVIEWED BY: Neil Sullivan	DATE: 2/15/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Supreme Court assessment of fiscal impact from LB 99.		

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 17, 2019 Phone: ⁽⁵⁾ 402-472-7109

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	<u>10,890</u>	<u></u>	<u>9,240</u>	<u></u>
CASH FUNDS	<u>8,910</u>	<u></u>	<u>7,560</u>	<u></u>
FEDERAL FUNDS	<u>9,900</u>	<u></u>	<u>8,400</u>	<u></u>
OTHER FUNDS	<u>19,800</u>	<u></u>	<u>16,800</u>	<u></u>
TOTAL FUNDS	<u>49,500</u>	<u></u>	<u>42,000</u>	<u></u>

Explanation of Estimate:

Last year we did not submit amounts, but said that the impact wasn't determinable. We pay about \$565 million annually to vendors. We don't track "small businesses", but estimate it is slightly less than half of our 30,000 plus vendors. If about 1 in 40 are late, due to a variety of issues, such as:

- The University uses a decentralized receiving operations that span locations across the entire State.
- The State of Nebraska requires that all payments to vendors in excess of \$25,000 be processed via ACH. The related pre-note process for ACH creates a ten-day delay for such initial payments.
- Mail delivery on the Lincoln campus occurs only every other day, due to budgetary constraints.

We estimate about \$10,000 in interest charges per year.

We also believe it would require some custom invoice recalculation functionality to be programmed within the e-procurement and financial systems to accommodate the automatic payment of the interest charges, or it would result in another invoice to pay the interest. We estimate this charge to be about \$7500.

The Lincoln campus, with the widest disbursement of locations, believes it will require a .5 FTE to track these type of payments to insure their prompt payment.

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>
Accounting Clerk	<u>.5</u>	<u>.5</u>	<u>25,000</u>	<u>25,000</u>
Benefits.....			<u>7,000</u>	<u>7,000</u>
Operating.....			<u>17,500</u>	<u>10,000</u>
Travel.....			<u></u>	<u></u>
Capital outlay.....			<u></u>	<u></u>
Aid.....			<u></u>	<u></u>
Capital improvements.....			<u></u>	<u></u>
TOTAL.....			<u>49,500</u>	<u>42,000</u>

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System (NSCS)

Prepared by: ⁽³⁾ Carolyn Murphy Date Prepared: ⁽⁴⁾ 01/18/2019 Phone: ⁽⁵⁾ 402-471-2505

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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>Unetermined</u>	_____	<u>Undetermined</u>	_____

Explanation of Estimate:

LB99 would require the NSCS to pay identified Small Businesses within 15 days of receipt of all goods or services, or within 15 days of the date of receipt of a bill, whichever is later. The existing Prompt Pay Act allows 45 days for payment to be made.

The NSCS processes all invoices on a timely basis once they are received and goods or services have been provided and have rarely had instances where the NSCS have been required to pay interest in accordance with the Prompt Pay Act. Moving from 45 to 15 days for certain vendors may change the number of times that the NSCS is required to pay interest to vendors, which would result in a fiscal impact. It would be difficult to quantify the impact.

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.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) Director's Office – Central Finance

Prepared by: ⁽³⁾ Ann Martinez Date Prepared: ⁽⁴⁾ 01-13-2019 Phone: ⁽⁵⁾ 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	<u>75,191</u>	<u>75,191</u>	<u>74,775</u>	<u>74,775</u>
TOTAL FUNDS	<u><u>75,191</u></u>	<u><u>75,191</u></u>	<u><u>74,775</u></u>	<u><u>74,775</u></u>

Explanation of Estimate:

LB 99, as introduced, would amend sections of the Prompt Payment Act to require all agencies, defined as all State agencies, boards and commissions, the University of Nebraska and the Nebraska state colleges (except as provided in subsection (2)), to make payment in full for all goods delivered or services rendered by a creditor which is a small business on or before the fifteenth (15) calendar day (a) after the receipt of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.

A small business shall mean a business which is classified as a small business according to the Table of Small Business Size Standards matched to the North American Industry Classification System Codes of the United States Small Business Administration as the table existed on October 1, 2018. To qualify as a small business for the purpose of the Prompt Payment Act the creditor shall submit evidence of its small business classification status as defined above with the bill.

As part of the payment process the default payment terms in the ERP (Enterprise Resource Planning) system would require a manual change for each bill of this type to be processed. This additional process would require updates to Account Payable policies and procedures at the Agency level.

Currently the Prompt Payment Act requires that a creditor receive full payment on or before the forty-fifth (45) calendar day.

The DAS – Director's Office - Central Finance processes all the vendor payments for the twelve (12) Divisions of the Agency; however the procurement and the invoice approval process are decentralized. Many invoices are entered and approved first at a facility [where the goods and services are received] that is located out-state before being sent electronically using OnBase which is an ECM (Electronic Content Management) solution to the Division's management office for additional review before they are sent electronically to Central Finance for payment processing. Another Division within DAS cannot approve invoices for payment without review and approval by staff at other Agencies, the University and/or the State Colleges. Each level of approval is necessary to ensure proper internal controls and is performed by staff that has other duties and responsibilities.

During CY2018 Central Finance processed over 29,000 vendor payments.

It is difficult to determine how many current and/or future vendors would qualify for the fifteen (15) calendar payment deadline, but even with the use of an electronic solution it will be very challenging to meet such deadline consistently.

Central Finance would require an additional FTE, an Accountant I, to assist the Agency's twelve (12) Divisions in monitoring the status of invoices in OnBase-ECM, review the evidence that is submitted, to help research contracts to determine if a signed contract changes the payment schedule, track invoices that haven't been entered into the OnBase-ECM system and to assist with Central Finance Accounts Payable processing/pre-audit as needed. One-time costs would be incurred to create a new queue for and to make changes to workflows for those invoices that are due within fifteen (15) calendar days.

The estimated cost for this FTE is \$75,190 in FY19-20 and \$74,775 in FY20-21. These costs include salary and benefits (health insurance is based on the State's share of the highest cost family plan); ongoing annual operating costs (OCIO expenses including computer leasing costs, printing/publication, rent/depreciation surcharge, and other supplies. There would also be a one-time cost of \$1,500 in FY19-20 for set up costs and the purchase of new non-capitalized equipment (monitors, furniture, etc.) and \$1,470 for approximately 20 hours of OCIO Application Development time @ \$73.50/hour to develop additional queues and workflows in the DAS Accounts Payable electronic solution - OnBase-ECM.

These additional costs would result in the need for additional revolving appropriation and an increased Director's Office -Central Finance Assessment that is charged to all the Divisions of DAS. Any increases to a DAS internal assessment can impact the enterprise due to possible increases in rates charged to other agencies for DAS goods and services.

The Prompt Payment Act also allows any creditor to charge the agency interest on the unpaid balance at the rate specified in section 45-104.02. Currently interest charges begin to accrue on the thirty-first (31) calendar day after (1) the date of receipt by the agency of the goods or services or (2) the date of receipt by the agency of the bill for the goods or services, whichever is later and will terminate on the date on which payment of the amount due is made. It is impossible at this time to estimate the additional interest costs that might be incurred by the Divisions when payment isn't made within the fifteen (15) calendar day requirement.

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>
Accountant I	1	1	35,730	36,444
Benefits.....			31,627	33,467
Operating.....			7,834	4,864
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			75,191	74,775

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1-22-19

Phone: (5) 471-6719

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$212,764		\$212,764	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$212,764		\$212,764	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Under current ERP and agency accounting systems, complying with this bill would require at least 3.5 FTE for the Department of Health and Human Services (DHHS). Extra FTE would be added in areas to shorten the current processing time frame. The current processing time ranges from 12-19 days plus the time it takes programs to input invoices. DHHS will have to identify all existing contracts that may require shorter processing time, review contractor submissions, identify new processes, and train existing staff on new processes. Existing staff would be unable to absorb these duties, so additional staff would be required. This bill may also require changes to current ERP and procurement systems. If these changes increase, the Department of Administrative Services (DAS) assessment to DHHS, DHHS will need additional appropriated funds to meet the increased costs.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2019-2020	2020-2021
		19-20	20-21	EXPENDITURES	EXPENDITURES
	K19112 Accounting Clerk II	1	1	\$30,266	\$30,266
	K19211 Accountant I	1	1	\$36,238	\$36,238
	S01842 Staff Assistant II	1.5	1.5	\$55,580	\$55,580
Benefits.....				\$38,372	\$38,372
Operating.....				\$52,308	\$52,308
Travel.....					
Capital Outlay.....					
Aid.....					
Capital Improvements.....					
TOTAL.....				\$212,764	\$212,764

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

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

Prepared by: ⁽³⁾ Sara Sump Date Prepared: ⁽⁴⁾ 1/24/19 Phone: ⁽⁵⁾ 402.479.5702

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	\$247,265		\$232,205	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$247,265</u>	<u>0</u>	<u>\$232,205</u>	<u>0</u>

Explanation of Estimate:

LB 99 will change the requirements of the prompt payment act.

The passing of this bill will have an impact on NDCS, currently 61% of the vendors used could be classified as small business. On average NDCS accounting processes over 3,700 invoices per month.

The additional FTE would be required to expedite payments for these small business. 3 FTE for the accounting department and 2 FTE for the purchasing department.

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>
Accounting Clerk II	2	2	\$60,532	\$60,532
Accountant I	1	1	\$36,236	\$36,236
Staff Assistant II	2	2	\$74,106	\$74,106
Benefits.....			\$59,806	\$59,806
Operating.....			\$16,585	\$1,525
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			<u>\$247,265</u>	<u>\$232,205</u>

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ 05 Supreme Court

Prepared by: ⁽³⁾ Eric Asboe Date Prepared: ⁽⁴⁾ 2/15/19 Phone: ⁽⁵⁾ 1-4138

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	<u>95,400</u>		<u>89,100</u>	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>95,400</u>		<u>89,100</u>	

Explanation of Estimate:

LB99 would require an additional FTE to flag, review and expedite payments to small businesses that qualify for earlier payment. The Probation voucher system would also be modified to identify eligible small businesses. It is assumed that a significant percentage of treatment and rehabilitative service providers for Probation clients would be eligible.

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>
Quality Compliance Reviewer	<u>48,943</u>	<u>49,922</u>	<u>48,943</u>	<u>49,922</u>
Benefits.....			<u>33,209</u>	<u>34,646</u>
Operating.....			<u>11,748</u>	<u>4,232</u>
Travel.....				
Capital outlay.....			<u>1,500</u>	<u>300</u>
Aid.....				
Capital improvements.....				
TOTAL.....			<u>95,400</u>	<u>89,100</u>

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

2019

LB⁽¹⁾ 99

FISCAL NOTE

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

Prepared by: ⁽³⁾ Becky Fleming Date Prepared: ⁽⁴⁾ 2/18/19 Phone: ⁽⁵⁾ 402-479-4692

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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 99 changes requirements for the *Prompt Pay Act* by changing the time frame an agency has to make payment in full for services rendered from forty-five days to fifteen days to small businesses. In order to qualify as a small business, the creditor shall submit evidence of its classification status.

The Department of Transportation will need to change procedures, make programming changes to systems and allocate more resources to ensure payments are made according to the *Prompt Pay Act*.

The Department anticipates minimal expenditures to accommodate these changes, but can accomplish these within existing appropriation.

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.....	_____	_____	_____	_____