

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	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 480 changes the minimum wage in Nebraska. Beginning January 1, 2022 minimum wage in the state increases by one dollar per hour to ten dollars per hour. The state's minimum wage increases by one dollar each January 1 thereafter until January 1, 2032 where the rate will be twenty dollars per hour. Beginning January 1, 2033, the Commissioner of Labor shall adjust the hourly rate to be equal to the previous calendar year increased by the percentage increase of the Consumer Price Index.

The provisions of LB 480 will impact every state agency at some point. Some agencies will be impacted beginning January 1, 2022. Dollars are not included in the table above, due to the uncertainty of which employees will be affected and to what degree the dollar impact will be from one agency to another.

A sampling of agencies received requests to respond to LB 480's provisions. They are included for illustrational purposes.

The Nebraska State College System estimates LB 480's impact to be a total of \$78,289 in fiscal year 2022 and \$194,838 in fiscal year 2023.

The University of Nebraska estimates the impact to be \$3,190,750 in fiscal year 2022 and \$11,755,380 in fiscal year 2023.

There is no basis to disagree with the estimates submitted.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 480	AM:	AGENCY/POLT. SUB: Department of Labor	
REVIEWED BY: Neil Sullivan	DATE: 2/8/2021	PHONE: (402) 471-4179	
COMMENTS: The Department of Labor assessment of no fiscal impact to administer LB 480 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 480	AM:	AGENCY/POLT. SUB: Department of Administrative Services	
REVIEWED BY: Neil Sullivan	DATE: 1/27/2021	PHONE: (402) 471-4179	
COMMENTS: The Department of Administrative Services assessment of agency fiscal impact from LB 480 appears reasonable. There will be an enterprise impact as well.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 480	AM:	AGENCY/POLT. SUB: State College System
REVIEWED BY: Neil Sullivan	DATE: 1/26/2021	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the State College System assessment of fiscal impact from LB 480. There will be an escalating future years impact.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 480	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 1/25/2021	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska assessment of fiscal impact from LB 480.		

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

2021

LB⁽¹⁾ 480

FISCAL NOTE

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

Prepared by: ⁽³⁾ Katie Thurber Date Prepared: ⁽⁴⁾ 2/04/2021 Phone: ⁽⁵⁾ 402-471-9912

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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: No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2021

LB⁽¹⁾ 480

FISCAL NOTE

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

Prepared by: ⁽³⁾ Sean Davis Date Prepared: ⁽⁴⁾ 1/19/21 Phone: ⁽⁵⁾ 402-471-8292

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>

Explanation of Estimate:

LB 480 adjusts the minimum wage on a yearly schedule. It will be nine dollars (\$9) per hour through December 31, 2021, then increases by one dollar (\$1) per hour every calendar year through December 31, 2032. From January 1, 2032 onward, the minimum wage will be increased by the percentage as published via the Consumer Price Index from the U.S. Department of Labor.

If this bill was passed as introduced, there would be no expected increase to teammate salaries in the State of Nebraska during the upcoming biennium of July 1, 2021 through June 30, 2023. During the upcoming biennium the highest minimum hourly rate this bill would require is a minimum hourly rate of at least eleven dollars (\$11) per hour from January 1 through December 31, 2023.

All labor contract covered classifications will have a minimum hourly rate of at least twelve dollars (\$12) per hour on July 1, 2021. Currently, according to the July 1, 2020 Pay Plan, all full-time classifications under the Rules have a minimum hourly rate of greater than eleven dollars (\$11) per hour.

The only impact to the Department of Administrative Services (DAS) in the upcoming biennium is to the State Personnel's Temporary Program (SOS) or any Agency temporary classifications that would be under the new minimum wage. These positions are under the Temporary Non-Contract Group – R codes.

There would be an impact to the DAS - State Personnel's Temporary Program (SOS) PSL and the program's revolving fund appropriation requiring increases. Any salary increases would increase the cost to the customer using the SOS program.

The staffing for those in temporary positions cannot be predicted for any accurate future costing.

In subsequent years beyond this upcoming biennium there would be a large ongoing, compounding fiscal impact to DAS as pay lines for classifications would have to be adjusted to accommodate the new minimum hourly rate, and compression issues would have to be addressed up the chain.

The first impact to full-time regular teammates is in the Calendar Year (CY) of January 1, 2025 through December 31, 2025. The minimum wage goes to thirteen dollars (\$13) per hour and therefore surpasses some full-time classification's minimum rates. The estimated increase from CY2024 to CY2025 is \$307,872.

\$267,366 estimated salary increases + \$40,506 FICA and retirement benefits = \$307,872

Estimated Increased Cost for January 1, 2025 through December 31, 2025		
Group of Teammates	Estimated # of Teammates Impacted	Estimated Increase 1/1/25 through 12/31/25 + FICA & Retirement
NAPE	297	\$261,785
FOP	6	\$4,019
Rules	1	\$1,562
TOTAL	304	\$267,366 + \$40,506 = \$307,872

The calculations for CY2025 utilize a snapshot of current teammates and wages from twelve potentially impacted bargaining units (all NAPE and FOP, Rules G, V and K codes). Using past costing for NAPE, as it had the formulas to calculate how their placement and increases would look for this next biennium, applicable increases to FOP teammates per the 2021-2023 Labor Contract were applied. Then a predicted 2% and 1% increase for the Rules teammates was applied. This is an estimate that only considers full-time permanent teammates and does not account for new hires or potential increases or adjustments for the next labor contract that goes effective July 1, 2023.

The initial fiscal impact would be in the final 6 months of FY2024-2025 (Jan-June 2025) and the first 6 months of FY2025-2026 (July-December 2025), which is estimated at approximately \$153,936 each fiscal year ($\$307,872 / 2 = \$153,936$ per fiscal year).

The table below summarizes the estimated impact by fund type of any DAS salary and benefit increases. The allocation by fund type below is based on the FY19-20, the most recently completed fiscal year's paid salaries.

Fund Type	Expenditures FY24-25	Expenditures FY25-26
General Fund	\$11,157	\$11,157
Cash Fund	\$2,114	\$2,114
Revolving Fund	\$140,665	\$140,665
Total	\$153,936	\$153,936

Any increases would require additional PSL and general, cash and revolving fund appropriation in the next biennium and into the future.

Increases to DAS revolving fund expenditures will require increases to internal and external assessments, rates, and surcharges, increasing the costs of DAS goods and services. These increases will impact all agencies, boards and commission plus the University and State Colleges.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2021-22	2022-23
	21-22	21-23	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2021

LB⁽¹⁾ 480

FISCAL NOTE

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

Prepared by: ⁽³⁾ Carolyn Murphy Date Prepared: ⁽⁴⁾ January 25, 2019 Phone: ⁽⁵⁾ 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>32,289</u>	<u> </u>	<u>83,616</u>	<u> </u>
CASH FUNDS	<u>6,231</u>	<u> </u>	<u>17,472</u>	<u> </u>
FEDERAL FUNDS	<u>16,130</u>	<u> </u>	<u>35,121</u>	<u> </u>
OTHER FUNDS	<u>23,639</u>	<u> </u>	<u>58,629</u>	<u> </u>
TOTAL FUNDS	<u>78,289</u>	<u> </u>	<u>194,838</u>	<u> </u>

Explanation of Estimate:

LB480 would increase the minimum wage by \$1 each calendar year beginning on January 21, 2022 and through 2032 until the minimum wage has reached \$20 per hour. For each calendar year following 2032, the minimum wage would increase by a rate tied to the Consumer Price Index (CPI). The timing of the proposed adjustments on January 1 or each year would result in a minimum wage increase for the last 6 out of 12 months of each fiscal year, or for 50% of the fiscal year. The calculations below only bring each employee who is currently below the new minimum wage up to that level. No adjustments are included for other employees affected by salary compaction. The base data used for the calculations below is from FY2019-20, the most current full fiscal year of data available.

For FY2021-22, the impact for the fiscal year is below, with all of the impact coming the second half of the fiscal year (from January 1, 2022 through June 30, 2022).

General Funds	\$32,289
Cash Funds	\$6,231
Federal Funds	\$16,130
Other Funds*	<u>\$23,639</u>
TOTAL	<u>\$78,289</u>

For 2022-23, the impact noted is **in addition to** that for FY2021-22 for purposes of the biennium cost. It is higher because there is six months of impact at the January 1, 2022 proposed rate and an additional six months of impact at the January 1, 2023 proposed rate; and there are additional employees who were above the proposed rate for January 1, 2022, but who were not above the proposed rate effective January 1, 2023.

General Funds	\$83,616
Cash Funds	\$17,472
Federal Funds	\$35,121
Other Funds*	<u>\$58,629</u>
TOTAL	<u>\$194,838</u>

For FY2021-22 and FY2022-23, the impact comes entirely from the NSCS's hourly payroll (temporary workers), of which student workers make up approximately 90% of the impact. It is important to note that the fiscal impact will continue to increase in fiscal years beyond FY2022-23 and at some point will begin to affect regularly budgeted positions, thereby significantly increasing the impact to meet the new minimum wage. This will also add to the issue of salary/wage compaction.

*Other Funds includes Revolving (Revenue Bond) and Trust Funds

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Hourly Workers			78,289	194,838
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			78,289	194,838

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2021

LB⁽¹⁾ 480

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 19, 2021 Phone: ⁽⁵⁾ 402-472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>733,870</u>	<u> </u>	<u>2,703,730</u>	<u> </u>
CASH FUNDS	<u>542,430</u>	<u> </u>	<u>1,998,420</u>	<u> </u>
FEDERAL FUNDS	<u>638,150</u>	<u> </u>	<u>2,351,080</u>	<u> </u>
OTHER FUNDS	<u>1,276,300</u>	<u> </u>	<u>4,702,150</u>	<u> </u>
TOTAL FUNDS	<u>3,190,750</u>	<u> </u>	<u>11,755,380</u>	<u> </u>

Explanation of Estimate:

The bill would increase the minimum wage over a period of years, beginning January 1, 2022. FY 22 reflects a half a year; FY 23 reflects a second increase and a full year of pay. The estimate does NOT address compression (the need to pay those above the minimum wage a higher amount to provide appropriate pay separation).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
All positions under \$10/hour	<u>5700</u>	<u> </u>	<u>2,964,000</u>	<u> </u>
All positions under \$11/hour	<u> </u>	<u>9600</u>	<u> </u>	<u>10,920,000</u>
Benefits.....	<u> </u>	<u> </u>	<u>226,750</u>	<u>835,380</u>
Operating.....	<u> </u>	<u> </u>	<u> </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>3,190,750</u>	<u>11,755,380</u>

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 2-24-2021

Phone: (5) 471-6719

	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$495,061	\$0	\$1,812,879	\$0
CASH FUNDS				
FEDERAL FUNDS	\$234,736		\$1,151,212	
OTHER FUNDS				
TOTAL FUNDS	\$729,797	\$0	\$2,964,091	\$0

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

Explanation of Estimate:

LB480 requires, beginning on January 1, 2022, the minimum wage to change from \$9.00/hour to \$10.00/hour for the calendar year 2022. Each year thereafter, on January 1 through the year 2032, the minimum wage would continue to increase by a dollar an hour. Each year the fiscal impact will grow due to the additional \$1 increase to the minimum wage.

Increasing the minimum wage would have an impact on in-home child care subsidy. In FY2020, there were approximately 360 providers working 625,435 hours of family in-home care, 20,280 hours of special needs in-home care, of which 3,290 hours were for overtime. For SFY2022, the increase in cost for in-home child care subsidy providers would be \$323,679. For SFY2023, the increase in cost would be \$972,374. Increases in child care subsidy would need to be funded with general funds.

Increasing the minimum wage will also have an effect to some individual providers who support Home and Community Based Services (HCBS) Waivers and for those that provide Personal Assistance Services (PAS). The impact on provider rates will carry a much larger potential fiscal in future bienniums as more providers become impacted as their wages begin to fall below the new minimum wage. The chart below provides the details on the fiscal impacts for the various services. These services are eligible for federal match at the states Federal Medical Assistance Percentage (FMAP) of 57.80%

SFY22 (6 mo - Jan-Jun 2022)		SFY23	
CHORE	\$147,761	CHORE	\$772,347
PAS	\$224,030	PAS	\$1,065,534
RESPITE	\$15,827	RESPITE	\$59,509
OT	\$18,500	OT	\$94,327
Total Funds	\$406,118	Total Funds	\$1,991,717
GF	\$171,382	GF	\$840,505
FF	\$234,736	FF	\$1,151,212

In addition, while current hiring salaries for permanent employees are at or above the proposed amounts, eventually the increases will cause compression with other salary pay lines in the current pay structure. This will make it more difficult to retain longer term employees without corresponding increases in salaries.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2021-2022	2022-2023
	21-22	22-23	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$729,797	\$2,964,091
Capital Improvements.....				
TOTAL.....			\$729,797	\$2,964,091