

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	971,734		842,424	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	73,727	73,727	72,130	72,130
TOTAL FUNDS	1,045,461	73,727	914,554	72,130

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

LB 725 changers provisions of the Prompt Payment Act.

Section 1 provides a definition for “Small business”.

Section 2 requires state agencies to pay in full for all goods delivered or services rendered by a creditor which is a small business within fifteen calendar days.

The provisions of LB 725 could affect every state agency. Without conducting a comprehensive survey of all agencies, the extent to which the bill’s provisions impact the state as a whole cannot be known. In the event that any given agency is affected by the bill’s provisions, the ability to request increased funding through the normal budget process is available.

The Department of Administrative Services estimates the need to hire 1.0 FTE (Accountant I) to address the bill’s provisions. This cost is estimated to be \$73,727 Revolving Funds for fiscal year 2018-19 and \$72,130 Revolving Funds for fiscal year 2019-20. There is no basis to disagree with this estimate.

The Supreme Court estimates the need for a one-time modification to the Probation voucher processing system and the addition on 1.0 FTE (Quality Compliance Reviewer) to address the bill’s provisions. There is no basis to disagree with these estimates.

The Department of Health and Human Services estimates the need to hire at least 12.5 new FTE to address the provisions of LB 725. Currently, DHHS processes payments in a range from 12 to 19 days, plus the time it takes to input invoices. In order to meet the proposed shorter timeframe, additional staffing will be needed. There is no basis to disagree with this estimate.

It should be noted that all estimates for potential costs are based on a level of uncertainty surrounding which current and future vendors will qualify under the definition of “small business”.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: Department of Administrative Services
REVIEWED BY: Neil Sullivan	DATE: 1/18/2018	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Administrative Services estimate of fiscal impact from LB 725. Concur that there will be an enterprise impact.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: Department of Health and Human Services
REVIEWED BY: Neil Sullivan	DATE: 2/13/2018	PHONE: (402) 471-4179
COMMENTS: No basis to dispute that there will be a fiscal impact from LB 725. Insufficient information to concur or dispute with the Department of Health and Human Services assessment of fiscal impact.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: Nebraska State College System
REVIEWED BY: Neil Sullivan	DATE: 1/16/2018	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska State College System's estimate of indeterminate fiscal impact from LB 725.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/13/2018	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue estimate of minimal fiscal impact from LB 725.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: Department of Transportation
REVIEWED BY: Neil Sullivan	DATE: 2/12/2018	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Transportation estimate of no fiscal impact from LB 725.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 725	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 1/16/2018	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska's estimate of indeterminate fiscal impact from LB 725.		

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2018

LB⁽¹⁾ 725

FISCAL NOTE

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

Prepared by: ⁽³⁾ Ann Martinez Date Prepared: ⁽⁴⁾ 1/10/2017 Phone: ⁽⁵⁾ 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	\$73,727	\$73,727	\$72,130	\$72,130
TOTAL FUNDS	<u>\$73,727</u>	<u>\$73,727</u>	<u>\$72,130</u>	<u>\$72,130</u>

Explanation of Estimate:

LB 725, as introduced, would amend sections of the Prompt Payment Act. It would 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, 2017.

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 for the goods or services. As part of the payment process the default payment terms in the ERP (Enterprise Resource Planning) system would be manually changed every time. This additional process would require updates to Account Payable policies and procedures at the Agency level.

Payment in full by an agency shall be considered to be made on the date the warrant or check was mailed or otherwise transmitted.

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

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 DAS Division 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 CY2017 Central Finance processed over 29,000 vendor payments.

It is impossible at this time to know 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 difficult to meet that 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 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 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 \$73,727 in FY18-19 and \$72,130 in FY19-20. These costs include salary and benefits (health insurance is based on the State's current share of the highest cost family plan); ongoing annual operating costs (communications/data processing, printing/publication, rent/depreciation surcharge, and supplies. There would also be a one-time cost of \$2,500 in FY18-19 for set up costs and the purchase of new equipment and \$1,500 for approximately 20 hours of OCIO Application Development time @ \$79.00/hour to develop additional queues and workflows in ECM.

These additional costs would result in the need for additional revolving appropriation and an increased Director's Office 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. 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>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
Accountant I	1	1	\$35,029	\$35,730
Benefits.....			\$30,286	\$31,988
Operating.....			\$ 5,912	\$ 4,412
Travel.....				
Capital outlay.....			\$2,500	
Aid.....				
Capital improvements.....				
TOTAL.....			\$73,727	\$72,130

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: 1-4-158

Phone: (5) 471-5046

	<u>FY 2018-2019</u>		<u>FY 2019-2020</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$760,837		\$760,837	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$760,837	\$0	\$760,837	\$0

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 12.5 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		2018-2019	2019-2020
		18-19	19-20	EXPENDITURES	EXPENDITURES
	Accounting Clerk II	3	3	\$90,798	\$90,798
	Accountant I	1	1	\$36,236	\$36,236
	Staff Assistant II	8.5	8.5	\$314,952	\$314,952
	Benefits.....			\$131,798	\$131,798
	Operating.....			\$187,053	\$187,053
	Travel.....				
	Capital Outlay.....				
	Aid.....				
	Capital Improvements.....				
	TOTAL.....			\$760,837	\$760,837

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

2018

LB⁽¹⁾ 725

FISCAL NOTE

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

Prepared by: ⁽³⁾ Carolyn Murphy Date Prepared: ⁽⁴⁾ 01/11/2018 Phone: ⁽⁵⁾ 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>Undetermined</u>	_____	<u>Undetermined</u>	_____

Explanation of Estimate:

LB725 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>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</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.

2018

LB⁽¹⁾ 725

FISCAL NOTE

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

Prepared by: ⁽³⁾ Becky Fleming Date Prepared: ⁽⁴⁾ 1/22/18 Phone: ⁽⁵⁾ (402) 479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</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 725 changes requirements for the Prompt Pay Act 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 and allocate more time for resources to ensure payments are made according to the Prompt Pay Act.

No fiscal impact is anticipated to the Department.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</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.

2018

LB⁽¹⁾ 725

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 10, 2018 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</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:

Procedurally, we already pay bills as received. No way of knowing which vendors qualify as small businesses. If vendors submit their bills to right person, if approval is obtained swiftly, if there are no holidays, this should not pose a problem. These "ifs" are not likely to occur in all cases.

The penalty noted in the LB for not complying is an interest charge. There may be some administrative burden if we attempt to track which vendors are small businesses or attempt to track the payment cycle of each payment due these vendors. However, these costs are not determinable at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2018

LB⁽¹⁾ 725

FISCAL NOTE

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

Prepared by: ⁽³⁾ Eric Asboe Date Prepared: ⁽⁴⁾ 2/9/18 Phone: ⁽⁵⁾ 1-4138

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>210,897</u>	<u> </u>	<u>81,587</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>210,897</u>	<u> </u>	<u>81,587</u>	<u> </u>

Explanation of Estimate:

LB725 would require one-time modifications to the Probation voucher processing system. An additional FTE would also be required to review small business payment requests on a timely basis. It is assumed that a significant percentage of treatment and rehabilitative service providers would qualify under the definition of small business.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Quality Compliance Reviewer	<u>1.0</u>	<u>1.0</u>	<u>47,990</u>	<u>47,990</u>
Benefits.....			<u>31,047</u>	<u>31,047</u>
Operating.....			<u>129,660</u>	<u>2,550</u>
Travel.....			<u> </u>	<u> </u>
Capital outlay.....			<u>2,200</u>	<u> </u>
Aid.....			<u> </u>	<u> </u>
Capital improvements.....			<u> </u>	<u> </u>
TOTAL.....			<u>210,897</u>	<u>81,587</u>