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**LB 1073**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2008-09</b>		<b>FY 2009-10</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB1073 would adopt the Nebraska Construction Prompt Pay Act. The bill would require that within 30 days of a request for payment under a contract for improvement of real property, construction services or construction management services; state, county and local entities (as well as private persons) would be required to remit payment to a contractor. Under provisions of the existing Prompt Payment Act (Sec. 81-2401 to 81-2408), state agencies currently operate under a 45-day period within which payment is required upon receipt of goods and services or receipt of a request for payment. In cases where a state agency makes payment for goods or services provided by third parties, payment is required within 60 days. Contraction of the time period within which payment would be required for construction services and improvements to real property under LB1073 will have operational impacts on state agencies. Fiscal note responses from a representative sample of state agencies identify varying estimates of the impact of the bill. The Game and Parks Commission and Department of Correctional Services estimate the direct fiscal impact of the bill would not be significant. The Nebraska State College System notes possible instances under which the shortened payment period may result in the payment of 1% per month interest (as provided in the bill) for all or a portion of the 15-day difference between the existing 45-day required payment period under the Prompt Payment Act versus the 30-day required payment period under LB1073. The University of Nebraska indicates that LB1073 will effectively necessitate prompt payment processes for construction-related work separate from managing and processing prompt payment for matters not related to construction work. The University estimates the bill will result in a need to assign 2 FTE additional personnel (\$99,944 annually) for systemwide payment processing functions to comply with the provisions of the bill. To the extent the estimated personnel requirements would prove to be correct, accommodation of the additional personnel for this function would require additional funding resources or, in absence of additional funding resources, reduction in staffing for other functional areas would be required. No estimate of the impact of LB1073 is currently available from the Department of Administrative Services.

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

REVIEWED BY	Lyn Heaton	DATE	2/22/08	PHONE	471-2526
<b>COMMENTS</b>					
DEPARTMENT OF CORRECTIONAL SERVICES: Concur, no fiscal impact.					
GAME AND PARKS COMMISSION: Concur, no fiscal impact.					
NEBRASKA STATE COLLEGE SYSTEM: It is assumed any additional cost projected by the agency can be managed within existing resources.					
UNIVERSITY OF NEBRASKA: It is assumed any additional cost projected by the agency can be managed within existing resources.					