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PREPARED BY: Doug Nichols
DATE PREPARED: February 10, 2011
PHONE: 471-0052

LB 475

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	115,211		120,078	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	115,211		120,078	

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

This bill would change garnishment provisions to include independent contractors providing services to government entities.

The Department of Health and Human Services (HHS) states that this bill will require additional efforts by Financial Services to respond to the garnishments, pull payments to independent contractors, and divert those payments to creditors. To accomplish this, HHS estimates the need for an Accounting Clerk II and associated costs as follows:

ITEMS	FY2011-2012	FY2012-2013	FY2011-2012	FY2012-2013
	Number of Positions		Expenditures	
Accounting Clerk II	0.75	1.0	19,636	26,181
Benefits			7,854	10,472
Operating (phone automated equipment, supplies, rent, and utilities)			6,501	8,425
Capital Outlay			6,220	0
TOTAL	0.75	1.00	40,211	45,078

The University estimates additional expenditures of \$75,000 in both FY2011-12 and FY2012-13 for additional staff time and operating expenditures (business processes and software changes). Their response details these additional estimated expenditures:

LB 475 would add independent contractors to garnishments, which are typically applied to wages earned with rules governing how much can be withheld. For garnishments from wages, DAS Accounting currently manages the process with data input from the University. We assume a similar process would be established for garnishments from payments to independent contractors.

For the University to withhold partial payments on contractual obligations to independent contractors, we would have to modify some business processes and the SAP accounting system including the interface of our payment data to the State NIS system from which the payment is actually generated.

Examples of business processes and software changes that would be required include:

- Campus A/P personnel would need to communicate with DAS staff to determine the amount and timing of the garnishment. Since contractors are not generally paid on a predictable schedule this could be problematic.
- Each court (assigning the garnishment) would need to be set up as a vendor in SAP in addition to the contractor themselves. This increases workload in Campus A/P offices, but we cannot identify the number of potential vendors at this time.
- SAP modifications would be required to split the contractor payment and reassign the amount of the garnishment to the court "vendor".
- Additional payment information such as case#, docket#, etc are likely to be required and would require changes to SAP to determine how to store them.

- Each time an invoice involving a garnishment is entered in SAP, A/P personnel would need to review the setup carefully and enter additional information to meet court information requirements.
- Existing tax withholding requirements (foreign entities, Federal back-up withholding, Nebraska nonresident) would still need to be maintained, withheld from payment (and remitted to the IRS and State of Nebraska.) Then any remaining net amount could be split between Independent Contractor and Court Garnishment Vendor. This could require additional changes in SAP for these cases.
- The interface from SAP to the State of NE NIS system would require modification to pass information normally required by the court for a garnishment while still making the appropriate payment to the original contractor.
- Payment information in total would still need to be tracked for the contractor for other Federal and State of NE tax reporting requirements.
- Staff time would be required to answer questions from contractors who did not receive the full payment they were expecting.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Joe Wilcox	DATE	2/10/11	PHONE	471-2526
COMMENTS					
DEPARTMENT OF HEALTH AND HUMAN SERVICES: No basis to dispute agency analysis relative to DHHS. UNIVERSITY OF NEBRASKA: No basis to dispute agency analysis relative to the University of Nebraska.					

LB(1) 0475

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) Willard Bouwens

Date Prepared: (4) February 9, 2011

Phone: (5) 471-8072

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$40,211		\$45,078	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$40,211	\$0	\$45,078	\$0

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

Explanation of Estimate:

This bill would require additional efforts by Financial Services to respond to the garnishments, pull payments to independent contractors, and divert those payments to creditors. To accomplish this, a 1.0 FTE Accounting Clerk II would be needed.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Accounting Clerk II	.75	1.00	\$19,636	\$26,181
Benefits.....			\$7,854	\$10,472
Operating.....			\$6,501	\$8,425
Travel.....				
Capital Outlay.....			\$6,220	
Aid.....				
Capital Improvements.....				
TOTAL.....			\$40,211	\$45,078

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LB⁽¹⁾ 475 **FISCAL NOTE**

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

Prepared by: (3) Michael Justus Date Prepared: (4) February 4, 2011 Phone: (5) 472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2011-2012</u>		<u>FY 2012-2013</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>75,000</u>	<u> </u>	<u>75,000</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>75,000</u>	<u> </u>	<u>75,000</u>	<u> </u>

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Explanation of Estimate:

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- Payment information in total would still need to be tracked for the contractor for other Federal and State of NE tax reporting requirements.

- Staff time would be required to answer questions from contractors who did not receive the full payment they were expecting.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2011-2012</u>	<u>2012-2013</u>
	<u>11-12</u>	<u>12-13</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Various Staff (no one position)			25,000	25,000
Benefits.....				
Operating.....			50,000	50,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL			75,000	75,000