

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$903,924		\$1,807,848	
CASH FUNDS				
FEDERAL FUNDS	\$710,226		\$1,420,452	
OTHER FUNDS	\$1,614,150	\$1,614,150	\$3,228,300	\$3,228,300
TOTAL FUNDS	\$3,228,300	\$1,614,150	\$6,456,600	\$3,228,300

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

This bill repeals the requirement that counties provide office space to the state at no cost to the state for administration of public assistance programs as such facilities existed on April 1, 1983. The operative date of the bill is January 1, 2018.

Under this bill, the counties would provide the space but the Department of Health and Human Services would pay rent. The counties collectively provide approximately 211,000 square feet of space. The estimated average cost per square foot is \$15. The composite federal match rate is 41%. There would also be maintenance costs paid by the state. The Department of Administrative Services (DAS) is responsible for overseeing leased space and maintenance and charges 2% for this work.

The total cost by fund source for rent and maintenance is \$1,614,150 (\$903,924 G and \$710,226 F) for half the fiscal year in FY 18 and \$3,228,300 (\$1,807,848 G and \$1,420,452 F) in FY 19. The rent and maintenance costs would be paid by the Department of Health and Human Services to the DAS. Revolving fund revenue and expenditures would increase by the same amount as the rent and maintenance costs.

Counties providing space would have an increase in revenue. The revenue would vary from county to county.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 567	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)
REVIEWED BY: Elton Larson	DATE: 2/06/2017	PHONE: 402) 471-4173
COMMENTS: DAS analysis and estimate of fiscal impact appear reasonable.		

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

2017

LB⁽¹⁾ LB567

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) - State Building Division (SBD)

Prepared by: ⁽³⁾ Byron J. Brogan Date Prepared: ⁽⁴⁾ January 30, 2017 Phone: ⁽⁵⁾ 402.471.8351

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	1,608,742	1,614,150	3,172,379	3, 228,300
TOTAL FUNDS	<u>1,608,742</u>	<u>1,614,150</u>	<u>3,172,379</u>	<u>3,228,300</u>

Explanation of Estimate:

LB567 eliminates the county provision of 'no cost' office and service facilities space to the Department of Health and Human Services (DHHS) for the administration of public assistance programs as such facilities existed on April 1, 1983, and requires the State to pay the cost for the office space used for such public assistance programs.

The State currently utilizes approximately 211,000 square feet of office space at no cost in 49 counties. Douglas County currently has five sites for DHHS public assistance programs, which amounts to a total of 53 office sites. This legislation would require DAS State Building Division (SBD) to negotiate 53 leases for each of these sites. Current SBD procedures provide that SBD would negotiate and sign a lease agreement with the landlord (county). SBD would then pay the counties (landlords) monthly lease payments. At the same time a second lease is generated between SBD and the DHHS as the tenant. This lease would provide that the tenant (DHHS) will be billed monthly the same amount of each lease plus a 2% administrative fee that is assessed on all commercial leases.

Any utility or janitorial costs related to the lease are assumed to be the responsibility of the tenant (DHHS) and would be paid directly to the vendor or landlord.

Additional revolving expenditures for SBD would be required as a result of the new lease payments that would be processed. Using the current 211,000 square feet of rental space paid at an estimated average rate of \$15.00 per square foot would constitute an increase in rent expense paid by SDB of \$1,582,500 in FY2017-18 and \$3,165,000 in FY2018-19. \$15.00 per square foot x 211,000 sq. ft. = \$3,165,000. The amount for FY2017-18 would be half of such amount, \$1,582,500, as the bill is effective January 1, 2018.

As the bill puts no conditions or requirements on rental rates that may be charged to the State, DAS is assuming an average market rate of \$15.00 per square foot; however the current bill would require the State to negotiate each lease and rental rate independently.

Negotiating and creating 53 new commercial leases plus the individual leases with DHHS would have to be completed prior to January 1, 2018. This will require an average of 20 hours of work per lease for a total of 1,060 hours (20 hours x 53 leases = 1,060 hours) by SBD. This is double the number of leases that the SBD staff currently negotiates and/ or renews in a typical year.

To complete the requirements of LB567 it is estimated that 200 hours of overtime plus benefits would be paid over six (6) months to the two current Administrative Assistant II's in SBD, plus two (2) temporary Staff Assistants II's working full time for five (5) months. Additional operating costs of approximately \$556 will be incurred for the temporary staff for email and other technology requirements. See the table below for more detail on these estimated costs.

As the bill is effective January 1, 2018, that is when SBD would receive the additional PSL/appropriation for staff overtime and temporary help. However, to have the leases effective January 1st the leasing process would have to occur before then. Existing SBD PSL and resources would have to be used temporarily until the increase is provided.

Additional staff costs would be incurred in future years as the leases expire and would need to be renewed and/or renegotiated. The timing and amount of time required is difficult to determine.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Administrative Assistant II (overtime)			6,345	6,408
Benefits.....			961	971
Operating – Lease Payments.....			1,582,500	3,165,000
Operating – 2 SOS Temp Staff Assistants II for five months			18,380	
Operating Expenses for SOS Temp Staff			556	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			1,608,742	3,172,379

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) Pat Weber

Date Prepared:(4) 2-2-17

Phone: (5) 471-6351

	<u>FY 2017-2018</u>		<u>FY 2018-2019</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$903,924		\$1,807,848	
CASH FUNDS				
FEDERAL FUNDS	\$710,226		\$1,420,452	
OTHER FUNDS				
TOTAL FUNDS	\$1,614,150		\$3,228,300	

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

Explanation of Estimate:

LB 567 would require the Department of Health and Human Services to pay for office space currently provided at no cost by counties per Nebraska Revised Statutes 68-130. The Department estimates the total footage involved would be 211,000 square feet. The Department further estimates a state-wide average of \$15.00 per square foot for lease costs, for an annual cost of \$3,165,000. Added to this cost would be the Department of Administrative Services fee of two percent of lease costs which is \$63,300, for an annual total of \$3,228,300. The effective date of this legislation is January 1, 2018. Approximately 44% of the cost would be paid using federal funds

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	NUMBER OF POSITIONS		2017-2018	2018-2019
	17-18	18--19	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$1,614,150	\$3,228,300
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$1,614,150	\$3,228,300