

PREPARED BY: Nikki Swope
 DATE PREPARED: February 01, 2022
 PHONE: 402-471-0042

LB 880

Revision: 00

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See below		See below

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

LB 880 would provide limitations on the mark-up of commissary goods in county and city jails and in the Department of Correctional Services. The bill would propose that commissary goods would not be marked up more than ten percent over the cost of purchase of such goods.

The Nebraska Department of Correctional Services (NDCS) estimates that the reduction of revenue from the mark up of commissary items that exceed the ten percent threshold would amount to \$1,100,000.

The commissary mark-ups are the primary source of revenue of the Inmate Welfare Fund which is a cash fund for the purpose to provide recreational activities and equipment for inmates in the NDCS. The Department reports that the reduction in the cash fund would necessitate an offset by other funds, such as the General Fund.

The Lancaster County Department of Corrections contracts with an outside vendor from which inmates directly order commissary items. The contractor provides the commissary items and the staff to distribute the commissary items to the inmates within the facility. The Lancaster County Department of Corrections does not foresee a fiscal impact as the bill would relate to an outside contractor.

The Douglas County Department of Corrections did not provide a response relating to the fiscal impact of this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 880	AM:	AGENCY/POLT. SUB: Lancaster County Department of Corrections
REVIEWED BY: Joe Wilcox	DATE: 01/18/2022	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Lancaster County Department of Corrections estimate of potential, but Indeterminate fiscal impact to the Department from LB 880.		

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2022

LB⁽¹⁾ 880

FISCAL NOTE

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

Prepared by: ⁽³⁾ Lisa Stanton Date Prepared: ⁽⁴⁾ 11/13/2022 Phone: ⁽⁵⁾ (402)479-5702

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	\$(1,100,000)	_____	\$(1,100,000)
TOTAL FUNDS	=====	\$(1,100,000)	=====	\$(1,100,000)

Explanation of Estimate:

LB 880 limits the mark-up of commissary goods in NDCS facilities to 10%.

The inmate welfare fund is a revenue-based fund, from which canteen profits are the primary source of funding. The revenues from this fund are inmate generated and expenditures from this fund are to be used to provide recreational activities and equipment for inmates at all of the Department's correctional facilities per §83-915.01, as well as in accordance with ACA standards (ACI-1B-20).

FY 2021 net revenue for the canteens was approximately \$1.5 million. NDCS estimates the impact of reducing the mark-up on commissary items which currently have a higher mark-up than 10% to be a \$1,100,000 reduction in net revenue from \$7 million to \$5.9 million in the first year. The projected decrease assumes items with mark-ups less than 10% remain the same. For example, some personal hygiene products have mark-ups of 2% and other personal hygiene products have no mark-up. Over the counter medications are marked-up by 2%, school supplies are marked-up by 2%, and health and beauty items have a mark-up of 10%. The primary canteen items with mark-ups above 10% are food and beverages (at 36%), similar to the increase on similar items in a convenience store.

As indicated, the Inmate Welfare Fund is used for the benefit of the inmates. For example, approximately \$204,000 is spent annually for TV/Radio service, \$222,000 was spent on 4.0 FTE who work in NDCS' canteens and \$260,000 was spent on recreational equipment and supplies.

In order to provide similar-level services for inmates, without the profits in the cash fund, other funding sources, like General Funds, would be necessary.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____

Aid.....
Capital improvements.....
TOTAL.....

_____	_____
_____	_____
_____	_____
_____	_____

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2022

LB⁽¹⁾ 880

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Department of Corrections

Prepared by: ⁽³⁾ Joe Anderson Date Prepared: ⁽⁴⁾ January 13, 2022 Phone: ⁽⁵⁾ (402) 441-1919

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</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:

The Lancaster County Department of Corrections contracts with an outside vendor who ships the commissary items from a warehouse in St. Louis, Missouri. Our department does not make an item-by-item purchase of those commissary goods. Instead, inmates purchase items directly from this vendor.

It is unclear to us whether the “cost to purchase such goods” includes the maintenance and staffing of that warehouse. Labor costs also arise from the inventory, processing and packaging of orders. Then there are shipping costs to get the orders to our facility. After that, there are labor costs for processing and distributing orders to the inmates. These are all expenses incurred by our vendor, which are undoubtedly factored into the price they charge inmates for individual products.

Since we are unclear on what factors may apply to determining the cost of the goods purchased through our commissary, we are unable to calculate the potential fiscal impact of this proposed legislation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____