

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	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.

This bill would eliminate the Department of Health and Human Services (DHHS) and create three new agencies, the Department of Children and Family Services, the Department of Public Health, and the Department of Healthcare. The responsibilities of the Division of Children and Family Services within DHHS would be transferred to the Department of Children and Family Services. The responsibilities of the Division of Public Health within DHHS would be transferred to the Department of Public Health. The responsibilities of the Divisions of Behavioral Health, Developmental Disabilities, and Medicaid and Long-Term Care within DHHS would be transferred to the Department of Healthcare. The effective date of the bill is July 1, 2025.

The Secretary of State indicates the cost to update the roles and regulations promulgation system amounts to \$4,600. The Department of Administrative Services (DAS) would need to implement both one-time and ongoing changes to the accounting and human resources systems. Additionally, DAS State Building Division would need to make changes to accommodate any changes and expansions of spaces. The Office of the Chief Information Officer (OCIO) within DAS would incur one-time expenses to establish systems as well as ongoing costs to manage technology. DAS indicates they have requested revolving fund appropriations sufficient to cover the additional costs to implement the changes.

DHHS indicates that in most cases the existing appropriations for each division would follow the administration to the newly established agencies. Proper documentation regarding expenditure of Federal Funds is a major consideration to ensure the new agencies comply with necessary procedures or else risk access to these funds. DHHS notes that there is some federal match that can be applied to the expenses of splitting the agencies however the amount cannot be determined.

There are significant staffing implications of the bill which are detailed in the agency’s fiscal note. The agency notes that supervisory type employees and IT employees would need to be multiplied for across the new agencies which has a significant cost. Administrative type employees could be divided between the new agencies which would not require additional funds. Certain work and information that is currently shared across systems such as Medicaid and Public Assistance eligibility determination (Medicaid and CFS) and Childcare licensing enforcement (CFS and Public Health) would need to be modified and potentially contractually determined between the new agencies.

A potential impact of the bill is the ability to redetermine adequate appropriation levels of the new agencies. Savings may be identified that are currently obscured by the size of the agency. It is expected that the establishment of the new agencies would require additional one-time costs. On-going costs may or may not be greater than what DHHS currently is appropriated, the sum of current division appropriations.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	1086	AM:	AGENCY/POLT. SUB: Nebraska Secretary of State	
REVIEWED BY:	Ann Linneman	DATE:	2-5-2024	PHONE: (402) 471-4180
COMMENTS: The Nebraska Secretary of State’s assessment of fiscal impact seems reasonable given the assumptions used.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	1086	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY:	Ann Linneman	DATE:	2-27-2024	PHONE:	(402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & Human Services' assessment of no fiscal impact.					

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

2024

LB⁽¹⁾ 1086

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS)

Prepared by: ⁽³⁾ Jennifer Sommars-Link Date Prepared: ⁽⁴⁾ 1/17/2024 Phone: ⁽⁵⁾ 402-471-1405

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 1086 proposes to create the Health and Human Services Act by creating three separate departments, the Department of Children and Family Services, the Department of Public Health, and the Department of Healthcare. Effective July 1, 2025, all programs of the current Department of Health and Human Services shall be transferred to the appropriate newly created departments as provided in the bill.

Such changes will require DAS State Accounting to make changes to the state's financial system (EnterpriseOne / E1) to set the system up to accommodate for such restructuring of the departments, funds, and to various accounting aspects of the system. Changes would also need to be made in Workday. These changes could be completed with existing resources.

If the restructure would require any office space changes, DAS State Building Division (SBD) will need to manage such requests as appropriate and would request additional revolving fund spending authority to provide commercial space to accommodate any potential changes and/or expansions.

Such restructuring could incur one-time and on-going services from the DAS Office of the Chief Information Officer (OCIO). The space(s) may require one-time network setup costs plus monthly services for additional phone, computer lease, and other technology services. The DAS-OCIO would request additional revolving fund spending authority to provide these one-time and on-going services.

DAS-SBD and OCIO are requesting an increase in revolving fund appropriation that is sufficient to cover the additional operational costs as a result of LB 1086.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) John Meals

Date Prepared 2-26-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

Explanation of Estimate:

LB1086 eliminates the Department of Health and Human Services (DHHS) and splits the current divisions into three new Departments: The Department of Healthcare, currently the divisions of Behavioral Health (BH), Developmental Disabilities (DD), and Medicaid & Long-Term Care (MLTC), the Department of Children and Family Services, and the Department of Public Health. Additionally, the bill creates a Health and Human Services Cash Fund for transfers to General Funds approved by the Legislature and allows the Director of the Department of Children and Family Services to request petty cash funds to be used for legal fees.

In most cases, DHHS' current funding in each division would be transferred to its new Department. Funding under BH, DD, and MLTC would be combined and moved, while funding under Children and Family Services (CFS) and Public Health (PH) would be transferred to their new Departments. To continue utilizing Federal Funds, each new Department would need to create and submit their own Cost Allocation Plan to the Federal Government or risk losing that funding.

The Department of Administrative Services (DAS) would need to create new assessment fees and split out the existing Statewide Cost Allocation Plan. They would also need to work with OCIO in revising the State's Payroll and Financial Center to accommodate the rearranging and creating of new roles, a new accounting and procurement infrastructure, and any new reporting systems as needed by each new Agency.

A staffing analysis was performed to determine the extent to which teams could be split and deployed to the new Departments. There will be many instances where additional staffing will be needed, such as for leadership and supervisory roles, single positions that perform functions for all existing divisions, or other scenarios where an equitable split is not possible.

There would also be new security requirements prompted by splitting DHHS into separate Departments. Certain confidential work performed, and information kept that is currently shared across divisions could be disallowed between separate State Agencies. Confidentiality would need to be kept via secured doors and workspaces. Additional space would need to be leased or purchased, and existing space would need to be remodeled to accommodate confidentiality needs as well as to consolidate workers into their new Agencies.

Impact on the Operations Division (OPS):

All Supervisory staff in currently in OPS would most likely need to be multiplied and added to the new Departments rather than split, since their teams perform tasks for all divisions in DHHS. These offices include Human Resources (HR), Financial Services, Procurement, and more. Below is a list of all Supervisory and Management roles in OPS multiplied by three, one for each Department, along with their annual salaries. Please note that the Information Technology staff has its own dedicated analysis and is not included below.

Supervisor Job Codes	Current FTEs	Annual Salaries	FTEs x3	Salaries x3	Benefits at 35%
G – Management	33.0	\$2,770,159	99.0	\$8,310,477	\$2,908,667
N – Non-Classified	15.0	\$2,455,543	45.0	\$7,366,629	\$2,578,320
V – Supervisory	40.0	\$2,645,242	120.0	\$7,935,726	\$2,777,504
Grand Total	88.0	\$7,870,944	264.0	\$23,612,832	\$8,264,491
Additional Cost Total			176.0	\$15,741,888	\$5,509,661

The teams and offices, however, could likely be split into thirds rather than multiplied depending on each employee’s dedicated work time to each division (e.g., an HR staff assigned to work with DD could be moved to the new Department of Healthcare). Some may need to be multiplied if they are the sole staff assigned to all divisions, but the table below assumes that each office will be split into thirds. Please note that only positions classified as “Regular” were included, and no Management, Non-Classified, or Supervisory roles were included. It should also be noted that Serve Nebraska (ServeNE) is a volunteer service commission operating under DHHS and may not be able to split to each new Department.

ServeNE in the past has attempted to separate from DHHS to become its own Agency, and depending on input from the ServeNE staff, the commission may prefer to either become its own entity or merge with one of the new Departments. ServeNE has 5 FTE’s with annual salaries of \$246,386.

OPS Offices	Current FTEs	Annual Salaries	FTEs /3	Salaries /3
CEO	5.0	\$276,326	1.7	\$92,109
Communications	12.0	\$656,716	4.0	\$218,905
COMS*	21.0	\$981,772	7.0	\$327,257
Financial Services	47.5	\$2,254,512	15.8	\$751,504
Human Resources	64.0	\$3,495,324	21.3	\$1,165,108
Legal Services	62.0	\$4,741,314	20.7	\$1,580,438
Legislative Services	3.0	\$145,818	1.0	\$48,606
Procurement	20.0	\$940,665	6.7	\$313,555
Grand Total	234.50	\$13,492,447	78.2	\$4,497,482

* COMS = Central Operations and Material Services

Below are the current State Fiscal Year 2024 (SFY24) appropriations for the OPS division. These funds would need to be split between the new Departments.

Current DHHS Division	General Funds	Cash Funds	Federal Funds	Total Appropriation
Program 261	\$75,328,339	\$13,715,819	\$90,187,554	\$179,231,712
Program 624	\$6,024,860	-	\$9,957,274	\$15,982,134

➤ Information Systems and Technology (IS&T) Impact

LB1086 would require each new Agency to have an IS&T team to support and manage their applications and systems. Current Information Technology (IT) teams and shared services across the DHHS divisions would need to be split or created to support each new Agency’s needs. These teams and systems include leadership roles, Project Portfolio Management Office (PPMO), N-FOCUS, iServe, Medicaid Management Information System (MMIS), facility support and myAvatar electronic health records (EHR), SharePoint website, OnBase (Enterprise content management), Public Health support, Data Nexus, Children Have A Right to Support service (CHARTS), Web Solutions, architecture support, Behavioral Health Electronic Billing System, Behavioral Health Centralized Data System, and general/customer service Support Teams.

Leadership roles, PPMO, N-FOCUS, iServe, myAvatar, facility support, SharePoint, OnBase, Public Health support, Data Nexus, Web Solutions, architecture support, and general Support Teams will all need to be split between two or all three of the new Agencies. MMIS and CHARTS will be utilized by only one of the Agencies and will not need to be split.

The table below includes a projected cost of a replacement N-FOCUS system. It is also possible a data-sharing agreement can be created and maintained between the new departments meaning a replacement N-FOCUS would not be needed, but some system changes would likely remain necessary.

Team or Service	Transition Cost*	Annual Cost Increase	New FTEs
Leadership roles	-	\$2,659,550	10.0
PPMO - staff	\$4,950,000	\$1,160,000	4.0
PPMO - system	-	\$141,800	-
N-FOCUS / iServe - staff	\$100,000,000 (5 years)	\$16,827,200	88.0
N-FOCUS / iServe - system	\$500,000,000 (5 years)	\$125,000,000	-
MMIS - staff	\$5,368,420	-	-
MMIS - system	-	-	-
Facility support - staff	-	\$1,081,600	5.0
Facility support - Avatar system	-	\$2,000,000	-
SharePoint - staff	\$333,000	\$2,912,000	14.0
SharePoint - system	\$535,000	\$356,666	-
OnBase - staff	\$5,360,000 (2 years)	\$2,038,400	15.0
OnBase - system	-	\$838,400	-
Public Health support - staff	\$106,000	-	-
Public Health support - system	-	-	-
Data Nexus - staff	\$3,400,800	\$9,053,707	48.0
Data Nexus - system	-	\$2,850,000	-
CHARTS - staff	\$6,100,000	-	-
CHARTS - system	-	-	-
Web Solutions - staff	\$6,100,000 (2 years)	\$2,593,066	19.0
Web Solutions - system	-	\$170,400	-
Architecture support - staff	\$1,520,000	\$4,280,000	7.0
Architecture support - system	-	\$850,000	-
Support Teams - staff	-	\$9,600,000	58.0
Support Teams - system	\$195,950	\$163,056	-
Support Teams - hardware**	\$548,864 (\$2,048 per employee)	\$619,080 (\$2,310 per employee)	-
Estimated Grand Total	\$634,518,034 One-Time Transition Cost	\$185,194,925 Annual Cost Increase/year	268 Add'l FTEs
	Additional Cost Total	\$819,712,959	268.0

*If no timeframe is given after the cost, the transition will take less than two years

**Estimated based on the number of new FTEs (268.0)

	Current FTEs	Current Salaries	New FTEs	New Salaries
IS&T Positions	96.5	\$6,490,071	268.0	\$52,205,523
Add'l Totals	-	-	171.5	\$45,715,452

➤ Central Operations and Material Services (COMS) Impact

Certain work and information that is currently allowed to be shared across divisions could be confidential in nature to separate State Agencies. Confidentiality would need to be kept via secured doors and workspaces. Additional space would need to be leased and existing space would need to be remodeled to accommodate confidentiality needs, as well as to consolidate workers into their new Agencies.

Dissolution into three separate Agencies could require additional and separate site locations statewide, resulting in the need to find new locations to accommodate staff. This could potentially increase the current amount of occupied space. Alternatively, existing space may be remodeled to create site and sound separation in lieu of new space. Depending on the size, typical lease rates for existing DHHS spaces range between \$12 and \$18 per sq ft, depending on the agreed rate and amount of renovation required prior to move in. New office furniture may need to be purchased for all new locations as there is not an adequate stock in surplus inventory.

Renovation will be required for any new spaces leased to comply with agency security and staffing needs, which will be at DHHS' expense. Access card systems and associated servers and hardware will need to be added to all new site locations to adhere to space security requirements.

➤ Procurement Impact

There may also be a procurement impact because the Department maintains agreements that service multiple divisions. These contracts would need revised and split by each affected new department, which could result in increased cost.

Impact on the Divisions of BH, DD, and MLTC:

The table below shows the current SFY24 appropriations for the separate DHHS divisions and what the new appropriation would be under a new Department. All of these are current funds and not additional funding. Funding may be affected if Federal Funds supporting any of the divisions below alongside a division moving to a different Department are separated.

Current DHHS Division	General Funds	Cash Funds	Federal Funds	Total Appropriation
BH	\$180,273,099	\$23,428,453	\$38,363,490	\$242,065,042
DD	\$226,217,356	\$15,095,458	\$89,185,576	\$330,498,390
MLTC	\$1,171,735,301	\$153,178,239	\$2,736,595,085	\$4,061,508,625

The table below are the current FTEs (classified as Regular) that are assigned to the divisions. Employees that split their time between different division work is not represented in this table.

Current DHHS Division	Current FTEs	Annual Salaries
BH	1,043.6	\$66,924,671
DD	729.9	\$39,680,076
MLTC	682.5	\$34,591,398

Impact on the Division of Children of Family Services (CFS):

The table below shows the current SFY24 appropriations for the CFS division that would be transferred to the new Department. All of these are current funds and not additional funding. Funding may be affected if Federal Funds supporting any of the divisions below alongside a division moving to a different Department are separated.

Current DHHS Division	General Funds	Cash Funds	Federal Funds	Total Appropriation
CFS	\$410,100,520	\$21,001,425	\$388,989,582	\$820,091,527

The table below are the current FTEs (classified as Regular) that are assigned to the division. Employees that split their time between different division work is not represented in this table.

Current DHHS Division	Current FTEs	Annual Salaries
CFS	2,226.2	\$115,413,346

Impact on the Division of Public Health (PH):

The table below shows the current SFY24 appropriations for the PH division that would be transferred to the new Department. All of these are current funds and not additional funding. Funding may be affected if Federal Funds supporting any of the divisions below alongside a division moving to a different Department are separated.

Current DHHS Division	General Funds	Cash Funds	Federal Funds	Total Appropriation
PH	\$35,514,466	\$89,267,763	\$225,312,328	\$350,094,557

The table below are the current FTEs (classified as Regular) that are assigned to the division. Employees that split their time between different divisions' work is not represented in this table.

Current DHHS Division	Current FTEs	Annual Salaries
PH	477.0	\$30,409,917

Summary: (with new N-FOCUS system)

	Annual Add'l Costs	One-Time Add'l Costs	New FTEs
OPS Supv. Roles	\$21,251,546	-	176.0
IS&T	\$185,194,925	\$634,518,034	268.0
COMS	\$10,000,000	\$10,000,000	-
Grand Total	\$216,446,471	\$644,518,034	444.0

Summary: (without new N-FOCUS system)

	Annual Add 'l Costs	One-Time Add 'l Costs	New FTEs
OPS Supv. Roles	\$21,251,546	-	176.0
IS&T	\$60,194,925	\$134,518,034	268.0
COMS	\$10,000,000	\$10,000,000	-
Grand Total	\$91,446,471	\$144,518,034	444.0

There is federal match involved with these costs, however it is difficult to project how much would be available. Some federal programs are cost based with a specific matching percentage (Medicaid is 50% with no limit). However, many federal programs are matched at 100% up to a certain percentage of the grant (LIHEAP is 100% up to 10% of the grant, Child Care is 100% up to 5% of the grant). For both LIHEAP and Childcare, the department already utilizes the entire admin allowance and projecting availability of federal funds while separating these departments is very difficult to determine. Also, a new system like N-FOCUS could potentially be matched at 90% for the Medicaid portion, pending an approval from CMS.

In short, federal match will be factored into these costs, but without detailed cost allocation plans for each new department, amounts are very difficult to project.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	NUMBER OF POSITIONS		2024-2025 EXPENDITURES	2025-2026 EXPENDITURES
	POSITION TITLE	24-25		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			See above	See above

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

2024

LB⁽¹⁾ 1086

FISCAL NOTE

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

Prepared by: ⁽³⁾ Joan Arnold Date Prepared: ⁽⁴⁾ 1-25-2024 Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$4,600	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$4,600</u>	_____	_____	_____

Explanation of Estimate:

LB1086 eliminates the Department of Health and Human Services and instead creates three separate departments: 1) Department of Children and Family Services; 2) Department of Public Health; 3) Department of Healthcare. This year our office finalized the implementation of a new rules and regulation promulgation system. Our system vendor would need to modify the new rules system in order to change the one agency into three different agencies and reassign the related title/chapters among those three agencies. The vendor estimates that it would cost \$4,600.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$4,600	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$4,600</u>	_____