

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	See Below	See Below	See Below	See Below
TOTAL FUNDS				

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

LB138 creates the Group Health Trust Fund within the State Treasury for the University of Nebraska. The Fund is to provide health benefits to University employees, and reasonable administrative costs.

As of the effective date of the Act, the University is to transfer all funds currently held by Wells Fargo Bank for the provision of health benefits to University employees into the newly created Group Health Trust Fund. In addition, all future University and University employee contributions for health benefits will be deposited into the newly created Fund.

Any money in the Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds investment Act.

The University indicates the fiscal impact to be as follows.

- Hiring an additional clerk to process transactions among the University, DAS Accounting, and the State Treasurer - \$54,000 (Other Funds).
- One-time IT reprogramming costs - \$15,000 (Other Funds)
- The potential loss of income based on the current difference between Wells Fargo's rate of return on investment and that of the Nebraska Investment Council – (\$1,800,000) (Other Funds)

Whether the rate of return on investment is greater at Wells Fargo than at the Nebraska Investment Council into the future cannot be determined.

The Nebraska Investment Council indicates that based on an average balance in the University's Wells Fargo Fund (\$100 million) and a projected rate of return on investment of 2.25% the Operating Investment Pool would have an additional \$2.25 million in revenue.

The State Treasurer indicates no fiscal impact.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: <b>LB 138</b>	AM:	AGENCY/POLT. SUB: <b>Nebraska Investment Council (075)</b>	
REVIEWED BY: Joe Wilcox	DATE: January 23 <sup>rd</sup> , 2013	PHONE: <a href="tel:4024714178">(402) 471-4178</a>	
COMMENTS: No basis to dispute agency analysis of No Fiscal Impact on the Nebraska Investment Council.			

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: <b>138</b>	AM:	AGENCY/POLT. SUB: State Treasurer	
REVIEWED BY: Cindy Miserez	DATE: 1/18/2013	PHONE: <a href="tel:4024714174">402-471-4174</a>	
COMMENTS: I have no basis to disagree with the State Treasurer's statement.			

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

**2013**

**LB<sup>(1)</sup> 138 FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> State Treasurer

Prepared by: <sup>(3)</sup> Jason Walters Date Prepared: <sup>(4)</sup> January 17, 2013 Phone: <sup>(5)</sup> 402-471-2793

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

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

Explanation of Estimate:  
No fiscal impact

**MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2013**

**LB<sup>(1)</sup> 138 FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus Date Prepared: <sup>(4)</sup> January 21, 2013 Phone: <sup>(5)</sup> 402-472-2191

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>69,180</u>	<u>(1,800,000)</u>	<u>54,180</u>	<u>(1,000,000)</u>
<b>TOTAL FUNDS</b>	<u><b>69,180</b></u>	<u><b>(1,800,000)</b></u>	<u><b>54,180</b></u>	<u><b>(1,000,000)</b></u>

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

**Explanation of Estimate:**

The fiscal impact of this bill is difficult to determine since it is unclear to the University how the Treasurer will operate this arrangement. The arrangement involves the Self-Insurance Trust (now at a banking institution) and the University employees' health money therein (these funds are held within a separate legal trust)

Assuming it operates like other accounts processed through the State system, the health trust will likely have to hire a clerk to process the transactions between the University, DAS Accounting and the Treasurer at a recurring estimated cost of approximately \$54,000 per year.

The University's payroll system will have to be reprogrammed at a one-time estimated cost of \$15,000.

The University assumes that the trust would be put into the short-term investment pool (STIP). Had this been the case last year, reports we have show the STIP earning about 2.4% through November 30. The health trust earned 4.14% through December 31. The loss of income to the trust would have been about \$1.8 million dollars, equivalent to \$15 per month per plan member.

This estimate does **not include any costs for firewalls** for protection of personal health information (HIPAA) should that prove necessary.

There could also be as much as a 4-5 day time lag in paying providers versus the current one day system. The impact of time lags, if any, **on fees charged** to the health trust by third parties: Blue Cross, Caremark, and health providers **also cannot be determined**.

**MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14 EXPENDITURES</u>	<u>2014-15 EXPENDITURES</u>
	<u>13-14</u>	<u>14-15</u>		
Accounting Clerk	<u>1.0</u>	<u>1.0</u>	<u>42,000</u>	<u>42,000</u>
Benefits.....			<u>12,180</u>	<u>12,180</u>
Operating.....			<u>15,000</u>	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u><b>69,180</b></u>	<u><b>54,180</b></u>

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

2013

LB<sup>(1)</sup> 138 FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Investment Council

Prepared by: <sup>(3)</sup> Jeffrey States Date Prepared: <sup>(4)</sup> 1/22/13 Phone: <sup>(5)</sup> 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	None	_____	None	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	\$2,250,000.00	_____	\$2,250,000.00
TOTAL FUNDS	=====	\$2,250,000.00	=====	\$2,250,000.00

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

Explanation of Estimate:

**No Fiscal Impact.** This Act creates the Group Health Trust Fund which will initially receive the funds currently held by Wells Fargo Bank in the University of Nebraska Group Health Trust Fund. The Group Health Trust Fund will also receive all funds withheld from the pay of University of Nebraska employees for health benefits and all contributions made by the University and utilized to provide health benefits to employees for the University of Nebraska.

The University of Nebraska Group Health Trust Fund currently had a balance of \$103,707,786 on June 30, 2011 according to the Attestation Report available on the State Auditors web-site. The average balance in the fund is about \$100 million.

The State Treasurer shall be the custodian of the funds. The Group Health Trust Fund will be investment along with other University Funds in the custody of the Treasurer as part of the Operating Investment Pool invested by the State Investment Officer in accordance with the Nebraska Capital Expansion Act and the Nebraska State Funds Investment.

There would be no need for additional staff or support to invest the funds that would impact the agency cash fund.

The current income yield that is being distributed for investments in the Operating Investment Pool is projected to be between 2%-2.5%. Net of the cost of \$16,000 to the funds for a proportionate share of the agency cash fund appropriation the distribution to the Group Health Trust Fund would be approximately \$2.25 million for \$100 million. Whether this yield is greater or less than the yield on the Wells Fargo account is not known.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____

