PREPARED BY: Doug Gibbs
DATE PREPARED: January 30, 2017
PHONE: 402-471-0051

LB 305

Revision: 00

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	See Below		See Below	
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 305 creates the Paid Family Medical Leave Insurance Act.

The basic purpose of LB 305 is to provide a covered individual (as defined by the bill) with paid family medical leave for: care for a new child after birth, adoption, or foster care placement; leave during the covered individual's serious illness or pregnancy; care for a family member who has a serious health condition; care for a covered servicemember who is next of kin; and for qualifying exigency leave (as defined in the bill). A covered individual shall be entitled to take this leave beginning April 1, 2020.

The bill also creates the Paid Family Medical Leave Insurance Fund which is to be administered by the Commissioner of Labor, and from which the family medical leave benefits and administrative costs are to be paid. The fund is to consist of contributions collected by covered employers as payroll deductions from covered individuals and remitted to the State Treasurer for credit to the Fund. The amount to be collected is to be determined by the Commissioner of Labor but is not to exceed one-half of one percent of a covered individual's gross wages in in any 12-month period.

The Department of Labor is to begin collecting the payroll deduction contributions on July 1, 2019, the operative date of the Act.

LB 305 provides for a transfer of $4 million from the Health Care Cash Fund to the Paid Family Medical Leave Insurance Fund on July 1, 2019, to be used by the Commissioner to pay upfront administrative costs for implementing the Act (See Technical Note below). The $4 million is to be repaid to the Health Care Cash Fund form the Paid Family Medical Leave Insurance Fund over a five-year period in annual installments of $800,000, beginning on December 31, 2020.

TECHNICAL NOTE:
The Department of Labor is given the responsibility to administer the Act and collect the payroll deduction contributions. However, while the bill provides that the Department is to begin collecting contributions on the operative date of the Act, this is also the first day they would receive funds necessary to implement the provisions of the Act, such as hiring employees, building the IT systems necessary, and other administrative activities required for implementation. The Department of Labor indicates that they will not be able to collect contributions without first implementing an IT system, but the bill does not allow for any time to develop or money to pay for a system prior to the requirement to begin collections.

The maximum amount of paid family medical leave that may be taken varies between 12 weeks and 6 weeks during any calendar year dependent on the qualified reason for the leave.

"Covered individual" is defined as an individual who is employed by a covered employer.

"Covered employer" means an employer subject to the Employment Security Law.

The bill also provides definitions for "covered servicemember," "family member," "health care provider," "next of kin," "military member," qualified exigency leave," "serious health condition," and others.

Benefits amounts are determined by the covered individual's yearly earnings as a percentage of Nebraska's average weekly wage as follows:

- For a covered individual whose individual average weekly wage is not more than 20% of the state average weekly wage, an amount equal to 95% of their average weekly wage;

- For a covered individual whose individual average weekly wage is more than 20% but not more than 30% of the state average weekly wage, an amount equal to 90% of their average weekly wage;

- For a covered individual whose individual average weekly wage is more than 30% but not more than 50% of the state average weekly wage, an amount equal to 85% of their average weekly wage; or

- For a covered individual whose individual average weekly wage is more than 50% of the state average weekly wage, an amount equal to 66% of their average weekly wage;

The amount of family medical leave benefits to be paid to a covered individual in any week shall not exceed 66% of Nebraska's average weekly wage.

The first payment of benefits is to be paid within 2 weeks after a claim is filed and subsequent payments must be made every 2 weeks thereafter for the period of eligibility.

A covered individual may not receive family medical leave benefits and unemployment compensation or workers' compensation benefits at the same time.

LB 305 also provides for the claims process; situations where intermittent leave may be taken; prohibitions against retaliatory action by an employer; requires the employer to maintain health benefits for the covered employee during the leave period; requires the employer to restore the individual to their position prior to the leave or a position with equivalent pay and benefits; notification requirements; reasons for disqualification; and reporting requirements.

The Department of Labor will be required to determine eligibility for the program, collect the taxes, administer the program, and issue a report. They are also given rule and regulation authority.

The Act becomes operative on July 1, 2019.

The bill contains the severability clause.

FISCAL IMPACT:

As the bill is written, with an operative date of July 1, 2019, technically there is no fiscal impact for the upcoming biennium (2017 – 2019). However, given the requirements placed on the Department of Labor by the bill it appears a General Fund appropriation to the Department of Labor would be necessary to carry out the provisions of the bill. The projected impact is detailed below:

Department of Labor:

The Department has estimated fiscal impact based on assumptions derived from a comparison with another state's (Rhode Island) experience with a paid medical leave program similar to LB 305. These assumptions appear reasonable. Based on those assumptions, in a typical year Nebraska would pay out approximately $297,325,431 per year in benefits under the provisions of LB 305. At the same time, the Department would collect approximately $205,527,550 in contributions, this is $91,797,881 less than the approximate amount of benefits that would be paid. (Based on gross wages of $41,105,510,041 in 2015). Based on these numbers, the program would run a substantial deficit in the fourth fiscal year (see below):

	FY2019-20:	FY2020-21:	FY2021-22:	FY2022-23:
Carryover:	$ 0	$ 188,400,255	$ 96,602,374	$ 4,804,493
Tax Collected:	$ 205,527,550	$ 205,527,550	$ 205,527,550	$ 205,527,550
Benefits Paid:	$ 17,127,295	$ 297,325,431	$ 297,325,431	$ 297,325,431
Surplus/Deficit:	$ 188,400,255	$ 96,602,374	$ 4,804,493	$ (86,993,388)

NOTE: The above table does not include Department of Labor administrative costs.

In 2015, the Department paid out approximately $92.9 million in unemployment benefits with a staff of approximately 45 adjudicators. Because LB 305 has significantly fewer regulatory requirements, it is estimated that the Department will ultimately require 24 adjudicators to administer the Act.

In order to prepare for implementation of LB 305, the Department has estimated they will require 9.0 FTE in FY2017-18, most of which are IT positions. The estimated cost for FY2017-18 is $6,969,278, with PSL of $576,109.

For FY2018-19, the Department estimates a need for 18.125 FTE, mostly IT positions, and a total expenditure of $7,110,917, with PSL of $936,405.

Ongoing administrative costs following the initial build period are estimated as follows:

FY2019-20:	$3,083,286
FY2020-21:	$3,144,952
FY2021-22:	$3,207,851

The Department notes that due to similarities of the UI Benefit Process and LB 305, it may be possible to build on its existing benefits system to process and pay the Paid Family Medical Leave claims. If this is possible, it is estimated that it will cost $4 million to enhance the existing system to accommodate such claims. If it is not possible to use the existing system, a separate build process will cost the Department approximately $10 million and is included in the above total cost for FY17-18 and FY18-19. The Department also notes that a typical system build of this magnitude takes anywhere from 2 to 5 years. If the build were to start on the operative date of the bill, this would give the Department only 10 months to build the system before the first payouts are required.

The fiscal impact from the Department assumes a General Fund appropriation to cover initial start-up costs necessary to implement the provisions of LB 305 on its operative date. With an operative date of July 1, 2019, it is obvious that considerable preparation time and effort will be necessary in order for the Department to fulfill its responsibilities and that this will require an appropriation in this biennium to do so.

We have no basis to disagree with the Department of Labor's estimate of fiscal impact and cost.

<u>Department of Administrative Services (DAS) Impact:</u>

The Department of Administrative Services has indicated they will incur preparation costs of $1,602 in FY19-20.

DAS further indicated that beginning in FY2019-20 they will require an additional 0.5 FTE Personnel Officer to manage employee notification requirements and compensation processing requirements at an estimate cost of $13,194 and for FY20-21 the cost would be $43,772.

These costs would result in the need for additional revolving appropriation and a possible increase in the Director's Office Assessment to the Divisions of DAS in FY19-20 and beyond. Additional costs could be incurred for the processing of withholding taxes and benefits payment through the E1 Accounts Payable (A/P) system. The potential volume of A/P transactions and related 1099 reporting could increase significantly. This could increase costs by approximately $3,750. This additional costs would result in the need for additional revolving appropriation and an increase in the statewide accounting assessment.

We have no basis to disagree with the DAS estimate of cost.

<u>University of Nebraska:</u>

The University of Nebraska indicates they will need additional HR staff to track employee eligibility, coordinate pay plans, establish and maintain designee records, track FSLA (rolling calendar) and the State Plan (calendar year) leave records and to coordinate with the campus departments/colleges. The University estimates a cost of $353,000 in FY2019-20 and thereafter.

We have no basis to disagree with the University's estimate of fiscal impact.

<u>Department of Revenue:</u>

The Department of Revenue indicates the cost to implement LB 305 will be minimal.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact.

<table>
<tr><td colspan="3">ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE</td></tr>
<tr><td>LB: 305</td><td>AM:</td><td>AGENCY/POLT. SUB: Dept of Administrative Services</td></tr>
<tr><td>REVIEWED BY: Gary Bush</td><td>DATE: 1/26/17</td><td>PHONE: (402) 471-4161</td></tr>
<tr><td colspan="3">COMMENTS: No basis to disagree with the estimate provided by the agency. The estimate appears to be reasonable.</td></tr>
</table>

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 305 AM:	AGENCY/POLT. SUB: Dept. of Labor	
REVIEWED BY: Gary Bush	DATE: 2/2/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the agency. The agency's assumptions appear to be reasonable.		

MINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 305 AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Gary Bush	DATE: 1/31/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the University.		

Please complete ALL (5) blanks in the first three lines. **2017**

LB(1) 305 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Department of Administrative Services (DAS) – State Personnel, Central Human Resources, State Accounting

Prepared by: (3) Josh Stafursky, Jerry Broz, Ann Martinez **Date Prepared:** (4) January 17, 2017 **Phone:** (5) 402-471-4165, 402-471-0600, 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB305 creates a paid family leave program for employees in the State of Nebraska. Employers subject to the Employment Security Law are subject to LB305. The operative date for the Act is April 1, 2020.

LB305 calls for a payroll deduction to fund the Paid Family Medical Leave Insurance Fund, which would be administered by the Department of Labor (DOL). The deduction would come from employee wages, not from employer funds. However, the bill does require that each employee be provided written notice of his or her rights under the Act at the time of hiring and annually thereafter. Notifications must also be made when an individual requests leave under the Act or when the employer acquires knowledge that an employee's leave may qualify for benefits under the Act. Agencies would also be required to respond to requests from the Department of Labor for compensation data in each instance that an employed individual files a claim.

The fiscal impact of this bill is beyond scope of the upcoming biennium of FY17-19.

There would be one-time costs for DAS State Accounting in FY19-20 in preparation of the operative date of the bill which is April 1, 2020 of approximately $1,602.

State Accounting would need to review, plan and implement the requirements of the bill. This would include approximately eight (8) hours of staff time to create a new fund; the new employee payroll deduction code in JD Edwards (E1) system; and a journal entry template that would be used to regularly remit the withheld funds to the new fund.

DOL could also require additional reporting or detail supporting the contributions that are submitted. This could result in additional one-time costs of an estimated eight (8) hours of development time at the current contracted developer rate of $165 per hour.

<u>Calculations for FY19-20:</u>

One-Time review, plan, set-up, etc.:	8 hours	x	$35.22	=	$281.76
One-Time programming of report:	8 hours	x	$165	=	$1,320.00

The bill would allow for an increase in DAS employee eligibility from existing Family Medical Leave Act (FMLA) to paid family medical leave. Under existing parameters DAS-Central Human Resources has sufficient resources to manager the existing FMLA eligible employees. However, due to the potential increase in eligible employees existing resources may not be sufficient to meet the increased compensation processing requirements, notification requirements, and ongoing communication requirements with a greater number of eligible employees. An additional half-time Personnel Officer would be sufficient to meet potential increase in DAS eligible employees.

The estimated cost to DAS for this .50 FTE is $13,194 for 3 months in FY19-20 and $43,772 in FY20-21. These costs include estimated FY19-20 / FY20-21 salary and benefits (health insurance is budgeted using the State's current share of the highest cost family plan); and ongoing annual operating costs (communication/data processing, printing/publication, rent/depreciation surcharge and office supplies); which also includes $2,000 for materials and postage required to make the required written notifications to newly hired and existing employees. A capital outlay of $2,500 would be required for a computer and work space/materials for the new 0.5 FTE in FY19-20.

These costs would result in the need for additional revolving appropriation and a possible increase in the Director's Office Assessment to the Divisions of DAS in FY19-20 and beyond.

Future costs would be impacted by higher salary and health insurance costs as well as increases in operational costs – rent, communication costs, etc.

In addition to the FY19-20 impact on DAS Central HR, if DAS State Accounting facilitates payment of benefits and withholding taxes through the E1 Accounts Payable (A/P) system, the potential volume of A/P transactions and related 1099 reporting could increase significantly. Calculation of this incremental cost is difficult without an anticipated volume of annual transactions, but if it is estimated that with processing 5,000 benefits payments at an average cost of $0.75 including reporting requirements would increase costs by $3,750 (5,000 transactions x $0.75 = $3,750). There is a cost associated with any transaction whether it is paper or electronic.

These additional costs would result in the need for additional revolving appropriation and an increase in the statewide State Accounting assessment in FY19-20 and beyond. The short term impact would be statewide across all Agencies, but as the number of transactions is a factor in calculating the assessment the increase in transactions could eventually impact DOL's share of the State Accounting assessment.

See the table below for a summary of the estimated FY19-20 and FY20-21 fiscal impact:

FY19-20	**Revolving Appropriation Increase**	**Assessment Increase / Source**
Central HR	$13,194	Director's Office Assessment – AS Divisions only
State Accounting	$1,620	State Accounting Assessment – Statewide Impact.

FY20-21	**Revolving Appropriation Increase**	**Assessment Increase / Source**
Central HR	$43,772	Director's Office Assessment – AS Divisions only
State Accounting	$3,750	State Accounting Assessment – Statewide Impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 17-18	18-19	2017-18 EXPENDITURES	2018-19 EXPENDITURES
Benefits……………………………...……				
Operating………………………...……….				
Travel………………………………………..				
Capital outlay…………………...…………..				
Aid…………………………………………...				
Capital improvements……………………...				
TOTAL……………………………….....				

Please complete **ALL** (5) blanks in the first three lines. **2017**

LB(1) 305 **FISCAL NOTE**

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

Prepared by: (3) Kim Schreiner Date Prepared: (4) 01-31-2017 Phone: (5) 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	**REVENUE**	**EXPENDITURES**	**REVENUE**
GENERAL FUNDS	6,969,278		7,110,917	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	6,969,278		7,110,917	

Explanation of Estimate: LB 305 creates the paid family medical leave program. Under LB 305, the Nebraska Department of Labor is responsible for the administration of the program. LB 305 covers all individuals employed in covered employment. Individuals in covered employment are potentially eligible for paid leave at the following limits:

- Up to 12 weeks of paid leave for a person with a serious illness or injury (sickness or injury that requires inpatient care or continuing treatment by a healthcare provider);
- Up to 12 weeks of paid leave to bond with a new child;
- Up to 6 weeks to care for a family member;
- Up to 6 weeks to care for a service member; and
- Up to 6 weeks for exigency leave.

Rhode Island has a paid family medical leave program similar to LB 305. Under Rhode Island's law, they provide paid leave at the following limits:

- Up to 30 weeks of paid leave for a person with a non-work related injury or illness;
    - o Injury or illness requires 7 days of duration before eligible for paid leave; (LB 305 does not have a minimum duration requirement.)
- Up to 4 weeks of paid leave to bond with a new child; and
- Up to 4 weeks to care for a family member.

In calendar year 2015, Rhode Island paid out $164,172,375 in benefits. $154,928,604 (94%) of the benefits paid out were for non-work related injury or illness corresponding to the types of leave described in subsections 3(1)(b) of LB 305. $9,243,771 (6%) of the benefits paid out were for either bonding with a new child or caring for a family member corresponding to the types of leave described in subsections 3(1)(a) and 3(1)(c) of LB 305.

In 2015, Rhode Island had a population of approximately 1,056,298 and approximately 470,019 people in covered employment. Comparatively, Nebraska has a population of approximately 1,896,190 and approximately 1,051,393 people in covered employment.

In 2015, Rhode Island processed 48,387 claims for paid leave which equaled approximately 10% of their covered employment workforce. Of the claims received, 38,956 were approved (80%). Rhode Island's average number of payments per claim was just over 9 weeks. Assuming these numbers for Nebraska, the Department estimates that it will have 105,139 claims and 84,111 will be approved. Assuming an average number of 9 payments per claim, Nebraska would pay out approximately $297,325,431 per year in paid family medical leave benefits. Please see below for a chart that calculates the benefit amount at varying average numbers of payments per claim. The amount of contributions is capped at one-half of one percent of a covered individual's gross wages. In 2015, Nebraska's total gross wages were $41,105,510,041. The maximum amount of contributions the Department could collect is $205,527,550, which is $91,797,881 less than the potential amount of benefits the Department would pay out per year.

In 2015, the Department paid out $92,924,405 in unemployment insurance benefits with a staff of approximately 45 adjudicators. Because LB 305 has significantly fewer regulatory requirements, it is estimated that 24 adjudicators will be required. The department will also need 2 labor law specialists, 2 field representatives, 2 claims specialists, 2 program supervisors, 1 benefits administrator, 1 accountant III, .5 accountant II, 1 attorney III, and 1 staff assistant I to handle the workload. Further, the IT build will require 9 IT positions. The IT positions will begin July 1, 2017 but the Admin positions will not begin until April 1, 2019, which is one year before benefits are paid. Therefore, FY18-19 only represents 25% or 3 months of these expenses.

Total IT Salaries and Benefits in year one total $771,222 with Indirect Overhead expenses of $206,528. These expenses increase in year 2 due to the annual salary increase. Year 2 for the Admin positions total $474,605 in Salaries and Benefits with $127,096 in Indirect Overhead expenses.

The Department believes that due to the similarities of the UI Benefit Process and LB 305, it can build on to its existing benefits system to process and pay the PFMLA claims. If this is possible, it is estimated that it will cost $4 million to enhance the existing system to accommodate PFMLA claims. If it is not possible to use the existing a system, a separate build process will cost the Department approximately $10 million. This is evenly distributed with $5 million in each year. $664,176 for Software Maintenance, Data Processing, Rack Space and IVR Maintenance are also distributed evenly over both years. Within Capital Outlay, year one also includes $659,440 for hardware, software, computers and cubicles for the IT staff while year two includes $177,600 for computers and cubicles for the Admin staff as well as $12,000 for Travel.

Technical note: The Department does not receive the initial $4 million to build the IT system until the operative date of the act, July 1, 2019. The Department is also to begin collecting the contributions from the covered individuals on the operative date of the act. The Department will not be able to collect the contributions without first implementing an IT system, but LB 305 does not allow any time to develop or money to pay for the IT system prior to collecting the taxes. Further, individual eligibility begins April 1, 2020. This gives the Department 10 months to build a system that is able to pay out $297,325,431 per year in benefits. Typical builds of this magnitude take anywhere from 2 to 5 years.

Wage Category	Count SSN	Total Quarterly Wage Amount	Average Quarterly Wage Per Person	Paid FMLA Wage Cap	FMLA Payout (weekly) per person	12 payments per claim - 10% covered employment claiming, 80% approved	9 payments per claim - 10% covered employment claiming, 80% approved	6 payments per claim - 10% covered employment claiming, 80% approved	3 payments per claim - 10% covered employment claiming, 80% approved
≤ 20%	216,000	$219,682,683	$1,017	95%	$74	$15,411,585	$11,558,689	$7,705,793	$3,852,896
>20-30%	68,147	$184,761,420	$2,711	90%	$188	$12,279,528	$9,209,646	$6,139,764	$3,069,882
>30-50%	114,975	$497,563,683	$4,328	85%	$283	$31,231,690	$23,423,767	$15,615,845	$7,807,922
> 50%	652,271	$9,950,115,886	$15,255	66%	$539	$337,511,106	$253,133,330	$168,755,553	$84,377,777
Total	1,051,393	$10,852,123,672				$396,433,909	$297,325,432	$198,216,955	$99,108,477

The following compares taxes collected to benefits paid during the following years:

	FY19-20	FY20-21
Taxes Collected	$205,527,550	$205,527,550
Benefits Paid	$74,331,358	$297,325,431
Surplus/(Deficit)	$131,196,192	($91,797,881)

While taxes are collected beginning July 1, 2019, benefits are not paid until April 1, 2020. Once benefits are paid for a full year, the program will run an annual deficit balance of nearly $92 million. This does not factor in funds needed to administer the program or the repayment of the $4 million. Total funds needed to administer the program are estimated for the following years: FY 19-20 $3,083,286; FY20-21 $3,144,952 and FY21-22 $3,207,851.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 17-18	18-19	2017-18 EXPENDITURES	2018-19 EXPENDITURES
Data Base Analyst/Lead	1.0	1.00	79,178	79,970
IT Applications Developer	1.0	1.00	56,534	57,099
Infrastructure Support Technician	1.0	1.00	40,064	40,465
IT Application Developer	4.0	4.00	226,136	228,397
IT Supervisor	2.0	2.00	174,197	175,939
Labor Law Specialist		0.50		21,115
Field Representative		0.50		20,390
Adjudicator		6.00		211,737
Claims Specialist		0.50		15,418
Program Supervisor		0.50		25,488
Benefits Administrator		0.25		17,021
Accountant II		.125		5,287
Accountant III		0.25		12,219
Attorney III		0.25		17,764
Staff Assistant I		0.25		8,096
Total Salaries	9.0	18.125	576,109	936,405
Benefits…………………………………...……			195,113	317,135
Operating………………………...……….			5,538,616	5,667,777
Travel………………………………………..				12,000
Capital outlay…………………...…………..			659,440	177,600
Aid…………………………………………...				
Capital improvements……………………...				
TOTAL……………………………….….			6,969,278	7,110,917

Please complete ALL (5) blanks in the first three lines. **2017**

LB(1) 305 **FISCAL NOTE**

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

Prepared by: (3) Michael Justus **Date Prepared:** (4) January 21, 2017 **Phone:** (5) 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18 EXPENDITURES	FY 2017-18 REVENUE	FY 2018-19 EXPENDITURES	FY 2018-19 REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

The bill establishes the State Paid Family Medical Leave Insurance Act. The University will need HR staff to track the employee eligibility (officially determined by the State), coordinate pay plans, establish and maintain designee records, track FLSA (rolling calendar) and the State Plan (calendar year) leave records and to coordinate with the campus departments/colleges. We do not currently anticipate changing the HR system to track this leave, but that would be an additional cost, if necessary. The University anticipates a fiscal impact of $353,000 in FY 19-20 and thereafter.

The operating date of the law is July 1, 2019. The fiscal impact of the two years included in this fiscal note would be zero.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 17-18	NUMBER OF POSITIONS 18-19	2017-18 EXPENDITURES	2018-19 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

LB 305 Fiscal Note 2017

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:	2/2/2017	
Approved by: Tony Fulton		Date Prepared:	2/2/2017	Phone: 471-5896		

	FY 2017-2018		FY 2018-2019		FY 2019-2020	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds	See Below	See Below	See Below	See Below	See Below	See Below
Federal Funds						
Other Funds						
Total Funds						

LB 305 would adopt the Paid Family Medical Leave Act (Act). The Act would fund medical leave benefits for employees similar to unemployment insurance and administered by the Department of Labor. Covered individuals, meaning an individual employed by an employer subject to the Employment Security Law, may take paid family medical leave to care for a new child, because of a serious health condition, or to care for a family member with a serious health condition. A covered individual may take the leave after 26 weeks of employment, in most cases.

The covered employee receives the benefit by making a claim with the Labor Commissioner. The benefit is equal to 95% of the covered employee's average weekly wage if the individual's average weekly wage is no more than 20% of the state's average weekly wage; 90% if the covered employee's average weekly wage is between 20% and 30% of the state average; 85% if it is between 30% and 50%; and 66% if the covered employee's average weekly wage is more than 50% of the state average. The covered employee may receive benefits for up to 12 weeks to care for a new child or a serious medical condition or up to six weeks to care for a family member.

The benefit would be paid from the Paid Medical Leave Insurance Fund (Fund), which would be created by the bill. A transfer of $4 million from the Nebraska Health Care Cash Fund for administrative start-up costs and the beginning benefit payments would seed the Fund. Covered employees would contribute to the Fund through payroll deductions in an amount determined by the Commissioner of Labor, not to exceed ½ of one percent. The Fund would repay the Nebraska Health Care Cash Fund over five years beginning in 2020.

Employers cannot interfere with or deny the exercise of any rights under the Act. If the IRS determines that family medical leave benefits are taxable income, the Commissioner of Labor is to notify beneficiaries of that fact and offer to withhold for federal income taxes from the benefits. The covered employee may also adjust withholding or estimated payments. There is a reporting requirement and a requirement that the Commissioner adopt regulations as necessary to carry out the Act.

LB 305 would be operative July 1, 2019 and it has a severability clause.

Departmental cost to implement LB 305 is expected to be minimal.

Major Objects of Expenditure

Class Code	Classification Title	17-18 FTE	18-19 FTE	19-20 FTE	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures
Benefits							
Operating Costs							
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Total							