

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2019-20 | | FY 2020-21 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | See Below | See Below | See Below | See Below |
| CASH FUNDS | See Below | See Below | See Below | See Below |
| FEDERAL FUNDS | See Below | See Below | See Below | See Below |
| OTHER FUNDS | See Below | See Below | See Below | See Below |
| TOTAL FUNDS | See Below | See Below | See Below | See Below |

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

LB 383 changes provisions related to the Wage and Hour Act.

Under LB 383, minimum wage in the State of Nebraska would be adjusted as follows:

- \$9.00 per hour until April 1, 2020;
- By January 31, 2020, and on or before each January 31 thereafter, the State Treasurer shall adjust the minimum wage by an amount determined by the State Treasurer at the end of the preceding calendar year to reflect the average annual percentage change in the consumer price index for the most recent five-year period for which data is available. The minimum wage so adjusted shall be rounded to the nearest cent divisible by five. Such minimum wage shall become effective beginning April 1 of such year; and,
- An annual increase under this subsection shall not exceed three and one-half percent (3.5%).

The provisions of LB 383 will impact any state agency, board, or commission with any employees being paid under the projected increased minimum wage. Without surveying every state agency, board, or commission, a reasonable estimate of such costs cannot be determined. Even if such employees could be identified, the percentage increase each year is unknown, as it is tied to the Consumer Price Index (CPI).

The State Treasurer estimates the need to enter into a contract with an economist at a cost of \$20,000 per year to address the provisions of LB 383.

From the language in LB 383, it would appear that the Treasurer’s Office simply needs to look up the preceding five years of CPI increases and mathematically determine the average for that time period (add five years of increases, divide the total by five) and determine if the average is more or less than 3.5%. If the average is below 3.5%, the Treasurer would apply the calculated five year average to the existing minimum wage to compute the new minimum wage. If the five year average is greater than 3.5%, the new minimum wage would increase by 3.5%. It appears doubtful that an economist would be needed to perform these calculations.

| | | | |
|--|-----------------|-----------------------------------|--|
| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
| LB: 383 | AM: | AGENCY/POLT. SUB: State Treasurer | |
| REVIEWED BY: Lee Will | DATE: 1/23/2019 | PHONE: (402) 471-4175 | |
| COMMENTS: No basis to disagree with the State Treasurer’s assessment of fiscal impact. The estimate by the Treasurer may be overstated depending upon the amount of reporting and analysis required to fulfil the intent of the bill. | | | |

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 383 AM: AGENCY/POLT. SUB: Department of Administrative Services

REVIEWED BY: Lee Will DATE: 1/30/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Administrative Services' assessment of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 383 AM: AGENCY/POLT. SUB: State College System

REVIEWED BY: Lee Will DATE: 2/7/2019 PHONE: (402) 471-4175

COMMENTS: No basis to disagree with the State College System's statement of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 383 AM: AGENCY/POLT. SUB: Department of Labor

REVIEWED BY: Lee Will DATE: 2/7/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Labor's assessment of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 383 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Lee Will DATE: 2/4/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 383 AM: AGENCY/POLT. SUB: University of Nebraska

REVIEWED BY: Lee Will DATE: 1/29/2019 PHONE: (402) 471-4175

COMMENTS: No basis to disagree with the University of Nebraska's assessment of fiscal impact.

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

2019

LB⁽¹⁾ 383

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 22, 2019 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2019-20 | | FY 2020-21 | |
|--------------------|-----------------------------|------------------------------------|-----------------------------|------------------------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | <u>20,000.00</u> | <u> </u> | <u>20,000.00</u> | <u> </u> |
| CASH FUNDS | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| FEDERAL FUNDS | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| OTHER FUNDS | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL FUNDS | <u>20,000.00</u> | <u> </u> | <u>20,000.00</u> | <u> </u> |

Explanation of Estimate:

The Treasurer’s Office doesn’t have an economist on staff and believes that the work required in LB 383 would need to be done by an economist. In discussions with an economist, he thinks this work required in LB 383 would be enough to enter into a consulting agreement with an economist.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | NUMBER OF POSITIONS | | <u>2019-20 EXPENDITURES</u> | <u>2020-21 EXPENDITURES</u> |
|-----------------------------------|-----------------------------|-----------------------------|--|--|
| | <u>19-20</u> | <u>20-21</u> | | |
| Benefits | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Operating | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Travel | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital outlay | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Aid | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital improvements | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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2019

LB⁽¹⁾ 383

FISCAL NOTE

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

Prepared by: ⁽³⁾ RJ Borer Date Prepared: ⁽⁴⁾ 01/22/2019 Phone: ⁽⁵⁾ 402-471-4460

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2019-20</u> | | <u>FY 2020-21</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 383 changes provisions to provide an annual adjustment to the minimum wage. Using the percentage of three and one half percent cap and rounded to the nearest cent divisible by five to project fiscal impact.

Current Minimum Wage: \$9.00 hour

Effective April 1, 2020 – $(9.00 \times 1.035) = \$9.35$ per hour (rounded to the nearest cent divisible by 5)

Effective April 1, 2021 – $(9.35 \times 1.035) = \$9.70$ per hour (rounded to the nearest cent divisible by 5)

Currently, only one classification in (DAS) would be effected if there was a new hire in the Mail/Material Courier classification within the Materiel Division. The current hourly rate would be raised from \$9.286 to \$9.472 assuming a 2% increase and that the pay lines moved on July 1, 2019; and would be raised again from \$9.472 to \$9.659 assuming a 2% increase and that the pay lines moved on July 1, 2020. Thus, the classification would need to be raised on April 1, 2021 to \$9.70/hr. Based on a calculation from April 1, 2021 to June 30, 2021 of 520 hours x \$9.659= \$5,023 current wage, 520 hours X \$9.70 = \$5,044, there would be an impact of \$21.00 plus FICA and retirement, from April 1, 2021 to June 30, 2021.

This estimated increase could be absorbed with Materiel's existing PSL and funding. However, as all existing employees are currently receiving above minimum wage, there is no fiscal impact at this time.

Throughout state government, potential personnel classifications that potentially be affected are as follows:

R82132 Game and Parks Temporary Park Worker II

R80121 Food Service Aide

M80121 Food Service Aide

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2019-20</u> | <u>2020-21</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>19-20</u> | <u>20-21</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |

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2019

LB⁽¹⁾ 383

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System (NSCS)

Prepared by: ⁽³⁾ Carolyn Murphy Date Prepared: ⁽⁴⁾ 02/04/2019 Phone: ⁽⁵⁾ 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2019-20 | | FY 2020-21 | |
|---------------|---------------|-----------------------------|---------------|-----------------------------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | <u>7,244</u> | <u> </u> | <u>37,537</u> | <u> </u> |
| CASH FUNDS | <u>1,468</u> | <u> </u> | <u>7,526</u> | <u> </u> |
| FEDERAL FUNDS | <u>3,241</u> | <u> </u> | <u>16,719</u> | <u> </u> |
| OTHER FUNDS | <u>5,058</u> | <u> </u> | <u>26,259</u> | <u> </u> |
| TOTAL FUNDS | <u>17,011</u> | <u> </u> | <u>88,041</u> | <u> </u> |

Explanation of Estimate:

LB383 would raise the state minimum wage by an amount determined by the State Treasurer based on a calculation related to the consumer price index. The annual increase cannot exceed three and one-half percent (3.5%). The NSCS did an analysis based on an annual increase of 3.5% on April 1, 2020 and additional 3.5% on April 1, 2021. The timing of the proposed adjustments results in a minimum wage increase for 3 out of 12 months of each fiscal year, or for 25% of the year. The calculations below take into consideration simply to get each employee who is currently below the new minimum wage up to that level. No adjustments are included for other employees who will be affected by salary compaction.

For FY2019-20, the impact for a full fiscal year is provided below, which is then multiplied by 25% to get to the fiscal year impact.

| | |
|---------------|--------------------------------|
| General Funds | 28,975 x .25 = \$ 7,244 |
| Cash Funds | 5,873 x .25 = \$ 1,468 |
| Federal Funds | 12,965 x .25 = \$ 3,241 |
| Other Funds* | 20,231 x .25 = <u>\$ 5,058</u> |
| TOTAL | <u>\$17,011</u> |

For 2020-21, the impact provided above is IN ADDITION to that shown for FY2019-20 for purposes of the biennium cost. It is slightly higher because there are additional employees who were above the new minimum wage on January 31, 2020, but who were not at the level that a second year at a 3.5% increase would be.

| | |
|---------------|--------------------------------|
| General Funds | 34,249 x .25 = \$ 8,562 |
| Cash Funds | 6,611 x .25 = \$ 1,653 |
| Federal Funds | 15,015 x .25 = \$ 3,754 |
| Other Funds* | 24,111 x .25 = <u>\$ 6,028</u> |
| TOTAL | <u>\$19,997</u> |

This impact for the FY2020-21 fiscal year must then also include the annualized impact of the impact for FY20. Therefore, the FY21 impact is added to the FY20 impact for a full fiscal year, as follows:

| | |
|---------------|--------------------------------------|
| General Funds | \$28,975 + \$ 8,562 = \$37,537 |
| Cash Funds | \$ 5,873 + \$1,653 = \$ 7,526 |
| Federal Funds | \$12,965 + \$3,754 = \$16,719 |
| Other Funds* | \$20,231 + \$6,028 = <u>\$26,259</u> |
| TOTAL | <u>\$88,041</u> |

*Other Funds includes Revolving (Revenue Bond) and Trust Funds

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2019-20</u> | <u>2020-21</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>19-20</u> | <u>20-21</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.

2019

LB⁽¹⁾ 383

FISCAL NOTE

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

Prepared by: ⁽³⁾ Kim Schreiner Date Prepared: ⁽⁴⁾ 1/18/2019 Phone: ⁽⁵⁾ 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2019-20</u> | | <u>FY 2020-21</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 383 would require the Nebraska Department of Labor to post Nebraska's minimum wage on an annual basis. The Department of Labor anticipates minimal cost in time and expense to meet this requirement. Any costs associated with this posting may be absorbed into the Nebraska Department of Labor's current budget.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2019-20 EXPENDITURES</u> | <u>2020-21 EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>19-20</u> | <u>20-21</u> | | |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |

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

2019

LB⁽¹⁾ 383

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 25, 2019 Phone: ⁽⁵⁾ 402-472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2019-20</u> | | <u>FY 2020-21</u> | |
|--------------------|-----------------------|------------------------------------|-----------------------|------------------------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | <u>28,000</u> | <u> </u> | <u>145,500</u> | <u> </u> |
| CASH FUNDS | <u>23,000</u> | <u> </u> | <u>119,000</u> | <u> </u> |
| FEDERAL FUNDS | <u>25,500</u> | <u> </u> | <u>132,000</u> | <u> </u> |
| OTHER FUNDS | <u>50,500</u> | <u> </u> | <u>264,500</u> | <u> </u> |
| TOTAL FUNDS | <u>127,000</u> | <u> </u> | <u>661,000</u> | <u> </u> |

Explanation of Estimate:

LB 383 would systematically increase the minimum wage based on the CPI. We estimated the increased wages to be about 15 cents per hour each year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2019-20</u> | <u>2020-21</u> |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>19-20</u> | <u>20-21</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Various | <u> </u> | <u> </u> | <u>111,000</u> | <u>580,000</u> |
| Benefits..... | <u> </u> | <u> </u> | <u>16,000</u> | <u>81,000</u> |
| Operating..... | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Travel..... | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital outlay..... | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Aid..... | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Capital improvements..... | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| TOTAL..... | <u> </u> | <u> </u> | <u>127,000</u> | <u>661,000</u> |