

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	1,932,277	(2,000,000)	942,219	(1,000,000)
CASH FUNDS	37,500	37,500	112,500	112,500
FEDERAL FUNDS				
OTHER FUNDS		4,000,000		2,000,000
TOTAL FUNDS	1,969,777	2,037,500	1,054,719	1,112,500

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

LB 1216 is the H3 Rural Renewal Award Act.

The purpose of the H3 Rural Renewal Award Act is to attract qualified workers to H3 (high wage, high skill, and high demand) jobs in Nebraska experiencing population loss and a shortage of skilled workers and to alleviate the burden left on such qualified workers from the cost of education and training.

Section 4 provides that each eligible individual shall receive a monthly award based on the individual's hourly wage. If insufficient funds are available in the H3 Rural Renewal Award Cash Fund for all monthly awards, all awards shall be proportionally reduced to that the total of all awards is equal to the money available in the fund. The Department of Labor shall establish an application procedure, application deadlines, repayment procedures and any other procedures necessary to carry out the act.

Section 5 creates the H3 Rural Renewal Award Endowment Fund. It shall consist of donations and money appropriated by the Legislature. Only the earnings of the fund may be used as provided in this section. On August 1, 2020, the State Treasurer shall transfer two million dollars (\$2,000,000) from the General Fund to the H3 Rural Renewal Award Endowment Fund. On December 31, 2021 and continuing through December 31, 2030, the State Treasurer shall transfer an amount not to exceed one million dollars (\$1,000,000) from the General Fund to the H3 Rural Renewal Award Endowment Fund. Prior to the transfer of funds from any state account into the H3 Rural Renewal Award Endowment Fund, the Department of Labor shall provide documentation to the budget division of the Department of Administrative Services that qualified endowments have generated a dollar-for-dollar match of new money, up to the amount of state funds authorized by the Legislature. All investment earnings from the H3 Rural Renewal Award Endowment Fund shall be credited to the H3 Rural Renewal Award Cash Fund on a monthly basis. Any money remaining in the fund on January 1, 2031 shall be transferred to the permanent school fund.

The Department of Labor estimates the need for 5.6 FTE to administer the program with initial IT costs of \$1,000,000 and approximately \$500,000 per year thereafter for annual licensing. There is no basis to disagree with these estimates.

The Department of Labor cannot determine the level of contributions to the Endowment Fund, however, for any awards to be paid out, LB 1216 stipulates the need for a dollar-for-dollar match of new money, up to the amount of state funds authorized for transfer. Therefore, the table above show "Other Fund" revenue of \$4,000,000 in fiscal year 2020-21 and \$2,000,000 in fiscal year 2021-22. This represents the transfer from the General Fund as well as matching funds from external sources.

Awards are paid from earnings on the Endowment Fund. The Department of Labor anticipates 2.25% earnings on the Endowment Fund. This percentage is used to calculate award potential beginning in fiscal year 2021-22. For fiscal year 2020-21, the amount of awards cannot be determined. Since no awards may be made until a dollar-for-dollar match is achieved, it is possible that awards won't be given until later in the fiscal year. The Department of Labor estimates \$37,500 in awards for fiscal year 2020-21. There is no basis to disagree with this estimate.

For fiscal year 2021-22, the Department of Labor estimates \$45,000 in awards. If we assume a \$4,000,000 balance in the Endowment Fund carrying forward from fiscal year 2020-21 and an additional \$2,000,000 added on December 31, 2021 then multiply that amount by an annualized 2.25%, the amount of awards would be \$112,500. (See below for calculation rationale) This is based on the assumption of immediate realization of dollar-for-dollar matches at a steady rate of 2.25%. Each year thereafter, the amount of award dollars available will increase due to the addition of General Fund and matching contributions into the Endowment.

$\$4 \text{ million} \times 2.25\% = \$90,000$

$\$2 \text{ million} \times 2.25\% = \$45,000 \times 0.5 \text{ (six months)} = \$22,500$

Fiscal Year 2021-22 total = $\$90,000 + \$22,500 = \$112,500$

It should be noted that the available award figures are not intended as accurate representations. That is not possible due to the variables that will determine the actual amounts. Rather, these figures are intended to be illustrative at best.

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

LB: 1216 AM: AGENCY/POLT. SUB: State Treasurer

REVIEWED BY: Neil Sullivan DATE: 1/29/2020 PHONE: (402) 471-4179

COMMENTS: The State Treasurer assessment of no fiscal impact from LB 1216 appears reasonable.

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

2020

LB⁽¹⁾ 1216

FISCAL NOTE

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

Prepared by: ⁽³⁾ Katie Thurber Date Prepared: ⁽⁴⁾ 1-31-2020 Phone: ⁽⁵⁾ 402-471-9912

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$1,932,277</u>	<u>(\$2,000,000)</u>	<u>\$942,219</u>	
CASH FUNDS	<u>\$37,500</u>	<u>\$37,500</u>	<u>\$45,000</u>	<u>\$45,000</u>
FEDERAL FUNDS				
OTHER FUNDS		<u>\$2,000,000</u>		
TOTAL FUNDS	<u>\$1,969,777</u>	<u>\$37,500</u>	<u>\$987,219</u>	<u>\$45,000</u>

Explanation of Estimate: LB 1216 creates the H3 Rural Renewal Award Act. LB 1216 provides for scholarships to individuals employed in H3 jobs and living in rural counties. As proposed, the Nebraska Department of Labor (NDOL) is responsible for administering the program. The act also creates the H3 Rural Renewal Award Endowment Fund (Endowment Fund) and the H3 Rural Renewal Award Cash Fund (Cash Fund).

NDOL will receive applications, review eligibility, award set amounts to eligible individuals, collect overpayments, and administer the Cash Fund. The program is initially funded by a \$2 million transfer to the Endowment Fund on August 1, 2020. The program is administered and funded from the Cash Fund. Only earnings from the Endowment Fund may be transferred to the Cash Fund. It is unclear how often earnings are transferred.

LB 1216 requires NDOL to publish the list of rural counties on or before January 1 of each year. NDOL assumes that applications are anticipated to begin by January 1, 2021. NDOL will need general funds to cover the initial startup and ongoing administration of the program that cannot be covered by the Cash Fund due to insufficient funds. By January 1, 2021, NDOL anticipates 2.25% earnings from the initial \$2 million transfer to the Endowment Fund. This would be approximately \$15,000 in initial funds available to NDOL to administer the program and to pay scholarships. For FY 20-21 NDOL anticipates a total of \$37,500 will be transferred from the Endowment Fund to the Cash Fund over the course of the year. For FY 21-22 NDOL anticipates \$45,000 will be transferred over the course of the year.

LB 1216 provides for ongoing transfers to the Endowment Fund of up to \$1 million per year. However, money may only be transferred if there is dollar to dollar matching funds donated. LB 1216 is unclear if NDOL is expected to actively fund raise for the program. There is no way to calculate assumed donations. For purposes of the fiscal note, NDOL did not show a transfer of funds from general funds to the Endowment Fund in FY 21-22 because it assumed no new donations. Scholarships range from \$100 to \$450 per month and are to be awarded on a pro-rated basis depending on available funds. This calculation excludes the cost of administering the program.

LB 1216 requires NDOL to determine and post all rural counties as defined by the bill. NDOL must develop an application process that enables all residents of these counties working in H3 jobs to apply for scholarships. NDOL will review eligibility and award scholarships based on hourly wages. NDOL will have ongoing review of each individual awarded a scholarship to ensure they continue to meet the residency and employment criteria. NDOL is responsible for ensuring refunds for ineligible payments are made to the Department. NDOL estimates LB 1216 would require one Employment Services Supervisor and four Workforce

Coordinators for the program. Time from a Public Information Officer III will be needed for assisting rural counties and publicizing the grant program to potential eligible individuals. Legal and financial services will be required as well. NDOL anticipates .25 FTE of an Attorney III and .25 FTE of an Accountant II.

NDOL currently does not anticipate immediately automating this process with an IT solution, but may need to based on participation. A rough estimate of cost is initial build of \$1,000,000 and annual licensing fees of \$500,000. Because of the high cost, NDOL would not build a system until it was determined participation required automation. These are potential costs to begin in the first year.

The five new positions would require additional PSL of \$236,273 in Year One and \$241,708 in Year Two.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2020-21	2021-22
	20-21	21-22	EXPENDITURES	EXPENDITURES
ATTORNEY III	.25	.25	22,663	23,185
PUBLIC INFORMATION OFFICER III	.10	.10	5,829	5,963
ACCOUNTANT II	.25	.25	11,891	12,165
ES SUPERVISOR	1.00	1.00	53,541	54,772
WORKFORCE COORDINATOR	4.00	4.00	182,733	186,935
Total Salaries	5.60	5.60	276,657	283,020
Benefits			103,747	106,133
Operating			1,551,873	553,066
Travel				
Capital outlay				
Aid			37,500	45,000
Capital improvements				
TOTAL			1,969,777	987,219

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

2020

LB⁽¹⁾ 1216

FISCAL NOTE

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

Prepared by: ⁽³⁾ Tyson Larson Date Prepared: ⁽⁴⁾ 1/27/20 Phone: ⁽⁵⁾ (402) 471-1234

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</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 State Treasurer's Office doesn't expect any fiscal impact from LB1216 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				