

PREPARED BY: Scott Danigole  
 DATE PREPARED: March 08, 2023  
 PHONE: 402-471-0055

# LB 489

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2023-24</b>		<b>FY 2024-25</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$16,000,000		\$16,000,000	
CASH FUNDS				
FEDERAL FUNDS	(\$16,000,000)	(\$16,000,000)	(\$16,000,000)	(\$16,000,000)
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$0</b>	<b>(\$16,000,000)</b>	<b>\$0</b>	<b>(\$16,000,000)</b>

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

LB 489 amends the Employment Security Law to exclude marketplace network contractors working for marketplace network platforms from the Employment Security Law.

The Nebraska Department of Labor (NDOL) identifies that this exclusion creates conformity issues with federal requirements. The US DOL provided an informal opinion that LB 489 does not conform with federal requirements. As drafted, NDOL would lose approximately \$16,000,000 in federal grant funding for the unemployment services program. To offset this loss, \$16,000,000 per year would be needed from the General Fund.

There is no basis to disagree with NDOL's estimate.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: <b>489</b>	AM:	AGENCY/POLT. SUB: <b>Nebraska Department of Labor</b>
REVIEWED BY: Kimberly Burns	DATE: 03/08/2023	PHONE: (402) 471-4171
COMMENTS: No basis to dispute the Nebraska Department of Labor's assessment of fiscal impact from LB 489 as drafted.		

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

**2023**

**LB<sup>(1)</sup> 489**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Rea Easton Date Prepared: <sup>(4)</sup> 03/06/2023 Phone: <sup>(5)</sup> 402-416-6809

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

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$16,000,000		\$16,000,000	
CASH FUNDS				
FEDERAL FUNDS	(\$16,000,000)	(\$16,000,000)	(\$16,000,000)	(\$16,000,000)
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$16,000,000)		(\$16,000,000)

Explanation of Estimate: LB489 excludes marketplace network contractors working for marketplace network platforms from the Employment Security Law.

As drafted, the exclusion of services from coverage for unemployment insurance benefits creates a conformity issue with federal requirements from the United States Department of Labor (USDOL). USDOL has provided an informal opinion that LB 489 does not conform with federal requirements.

If LB 489 passed as drafted, NDOL would lose approximately \$16 million annually in federal grant funding for Nebraska's unemployment insurance program. This impact is noted in the table above with a decrease in revenue from Federal Funds and an increase in expenditures of General Funds replacing the current Federal Funds expense. The shift of funding source is to enable NDOL to continue operating an unemployment program for Nebraska.

Further, Nebraska employers would lose their Federal Unemployment Tax Act (FUTA) credit. The FUTA tax is 6.0% on the first \$7,000 an employee earns. Any earnings beyond \$7,000 are not taxed. Currently, the tax credit is 5.4%. Losing this tax credit would increase taxes on Nebraska employers in excess of \$450 million. This impact is not noted in the table above.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Total Salaries				
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>				