Bill Biven, Jr. January 23, 2023 402-471-0054

LB 558

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)									
	FY 2023-24 FY 2024-25								
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE						
GENERAL FUNDS	See below		See below						
CASH FUNDS	See below								
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.

LB558 would increase the minimum wage for a for all public-school employees to at least seventy percent of the Nebraska statewide average as calculated by the Office of Labor Management Information of the Nebraska Department of Labor.

EXPENDITURES:

Seventy percent of the statewide average minimum wage would be approximately \$17.50 per hour. Adjusting the wages to get the affected employees to meet that minimum wage would have an estimated cost of seventy to one hundred million dollars to the school districts.

The Nebraska Public Employees Retirement Systems (NPERS) believes there is a need to have an actuarial study done to properly determine the costs that they would incur due to the increased wages & also the increased retirement contributions from those wages. The actuarial study has an estimated cost of fifteen to twenty thousand dollars that NPERS would use Cash Funds to cover those costs. Increasing the minimum wage for all public-school employees will also increase the amount needed for the statutorily required 2% state contribution each year.

Beginning in FY 25-26, the increase in wages will be factored into the district's TEEOSA calculation & could increase the amount that the state would distribute to a district through equalization aid. The effects on the TEEOSA calculation cannot be determined at this time.

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 558				FISCAL NOTE
State Agency OR P	olitical Subdivision Name: ⁽²⁾	Nebraska Public Em	ployees Retirement Systems	s (NPERS)-085
Prepared by: ⁽³⁾	Teresa Zulauf	Date Prepared: ⁽⁴⁾	1/26/2023 Phone: ⁽⁵⁾	402-471-7745
	ESTIMATE PROV	IDED BY STATE AGEN	NCY OR POLITICAL SUBDIVIS	SION
	FY	2023-24	FY 2024	-25
	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	<u>REVENUE</u>
GENERAL FUNI	DS unknown		unknown	
CASH FUNDS	15,000-20,000			
FEDERAL FUNI	DS			
OTHER FUNDS				
TOTAL FUNDS	15,000-20,000			

Explanation of Estimate:

LB 558 requires all employees of a school district to be paid a salary/wage equal to at least 70% of the Nebraska statewide average hourly wage. It would establish a new minimum wage for school employees.

This bill would impact the salaries of some of the school members, therefore it would have potential to impact the actuarial results of the School Retirement Plan. NPERS does not have data on which members are paid on an hourly basis or at what rate. The bill does not say what the hourly rate would be.

Neb. Rev. Stat. § 79-902(6)(b) states, in relevant parts:

"Creditable service does not include ... service rendered for which the retirement board determines that the member was paid less in compensation than the minimum wage as provided in the Wage and Hour Act." Based on this, schools should not have employees being paid less than minimum wage and accruing creditable service in the plan. NPERS has always assumed the school districts were paying at least minimum wage.

An actuary study would need to be completed to determine the increase, if any to Program 515. (Program 515 exists for receiving appropriations used in funding the Retirement Plans administered by NPERS.) In summary, there is no reasonable way to estimate the impact on salaries paid to the impacted members and, therefore, no way to estimate the cost impact. It is likely the members impacted are lower liability (low pay, younger, shorter service) and may have higher termination rates than are assumed for the system as a whole. If that is the case (and there is no way to know that for sure), the higher salaries will generate higher contributions. The contribution increases would likely cover the increase in the normal cost and perhaps be sufficient to offset the loss on the actuarial liability. In general, we wouldn't expect this change to have a material impact on the System's funding but we can't substantiate that with any hard analysis.

Costs to the plan could potentially be an actuarial study (estimated \$15,000-\$20,000) and potential cost to the State could be an increase to Program 515 (unknown).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE								
Personal Services:								
	NUMBER OF	POSITIONS	2023-24	2024-25				
POSITION TITLE	23-24	<u>24-25</u>	EXPENDITURES	EXPENDITURES				
	·							
Benefits								

Operating	
Travel	
Capital outlay	
Aid	
Capital improvements	
TOTAL	

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 558			FISCAL NOTE
State Agency OR Political Subdivision Name: ⁽²⁾	Education		
Prepared by: ⁽³⁾ Lane Carr	Date Prepared: ⁽⁴⁾	1.26.23 Phone: ⁽⁵⁾	4024193012
		OR POLITICAL SUBDIVISIO	<u>N</u>
<u>FY s</u> EXPENDITURES	<u>2023-24</u> <u>REVENUE</u>	<u>FY 202</u> <u>EXPENDITURES</u>	<u>4-25</u> <u>REVENUE</u>
GENERAL FUNDS			
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS 0	0	0	0

Explanation of Estimate:

LB558 would require all employees of a public school district to be paid a salary or wages equal to at least 70% of the Nebraska statewide average hourly wage. The cost to local districts could be significant, but is unknown at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE									
Personal Services:									
POSITION TITLE	NUMBER OI <u>23-24</u>	F POSITIONS <u>24-25</u>	2023-24 <u>EXPENDITURES</u>	2024-25 <u>EXPENDITURES</u>					
Benefits									
Operating									
Travel									
Capital outlay									
Aid			<u> </u>						
Capital improvements TOTAL									

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 558			FISCAL NOTE
State Agency OR Political Subdivision Name: ⁽²⁾	Nebraska Departn	nent of Labor	
Prepared by: ⁽³⁾ Rea Easton	Date Prepared: ⁽⁴⁾	01/23/2023 Phone	.: ⁽⁵⁾ 402-416-6809
ESTIMATE PROVI	<u>DED BY STATE AGEN</u>	NCY OR POLITICAL SUBD	IVISION
FY	2023-24	FY 2	024-25
EXPENDITURES		EXPENDITURES	REVENUE
GENERAL FUNDS			
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS			

Explanation of Estimate: There is no fiscal impact to the Nebraska Department of Labor for LB 558.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE									
Personal Services:									
	NUMBER OF	POSITIONS	2023-24	2024-25					
POSITION TITLE	23-24	<u>24-25</u>	EXPENDITURES	EXPENDITURES					
Benefits									
Operating									
Travel									
Capital outlay									
Aid									
Capital improvements									
TOTAL									

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFO:							
Approved by: Glen White		Date Prepared:	01/26/2023		Phone: 471-5896		
	FY 202	3-2024	FY 202	4-2025	<u>FY 202</u>	5-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		Minimal		Minimal		Minimal	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		Minimal		Minimal		Minimal	

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LB 558 will require Class V school districts to pay all employees a salary or wages equal to at least 70% of the Nebraska statewide average hourly wage as defined in Neb. Rev. Stat. § 77-6814.

It is estimated that LB 558 will have minimal impact to the General Fund revenues as higher wages may lead to higher individual income tax collection.

It is estimated there will be minimal costs to the Department of Revenue to implement this bill.

Major Objects of Expenditure									
Class CodeClassification Title23-2424-2525-2623-2424-2525-26FTEFTEFTEFTEFTEExpendituresExpendituresExpenditures									
Benefits									
Operating Costs									
Capital Outlay	Capital Outlay								
Capital Improveme	nts								
Total									