

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$122,056		\$122,056	
TOTAL FUNDS	\$122,056		\$122,056	

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

LB 522 proposes to change provisions relating to the date when compensation begins and provide for cost-of-living adjustments under the Nebraska Workers' Compensation Act. If passed, LB 522 would reduce the wait time to begin disability compensation from seven days to three days. It also proposes to compute compensation from the date disability began if disability continues for only two weeks as opposed to the current six-week time period. The impact on the workers' compensation program is that there will be an increase in claim conversions from medical-only to indemnity workers' compensation payment for Temporary Total Disability (TTD) and Temporary Partial Disability (TPD). LB 522 would require a cost-of-living adjustment (COLA) for weekly disability benefits or weekly death benefits that exceed one year.

The measurable fiscal impact would be to the Department of Administrative Services (DAS) Risk Management Division. The analysis provided in the DAS fiscal note outlines how the impact is calculated. At this time, DAS reports their total claims payments to increase by \$122,056 for FY26.

The Fiscal Office has no basis to disagree with this calculation's inputs to arrive at the total DAS Risk Management increase for FY26 at this time. The increased claims payments would then be charged back to agencies from which the increases were generated. The Fiscal Office anticipates that the subtotals by fund type may be different from the chart shown in the DAS fiscal note, however. Changes to chargebacks to agencies could then result in agency requests for increases to their future appropriations.

DAS's FY27 projection does not include a COLA over FY27, but it is conceivable that a COLA increase may be needed for FY27. An appropriations bill would be needed to fund LB 522 and may be generated once an expected fiscal note revision is received from DAS.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB: 522	AM:	AGENCY/POLT. SUB: Nebraska Workers' Compensation Court		
REVIEWED BY: Gary Bush	DATE:	01/27/2025	PHONE: (402) 471-4161	
COMMENTS: Agree with the agency estimate of No Fiscal Impact.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 522	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS)	
REVIEWED BY: Ryan Walton		DATE: 2/12/2025	PHONE: (402) 471-4174
COMMENTS: DAS' assessment of fiscal impact from LB 522, appears reasonable.			

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

2025

LB⁽¹⁾ 522

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – Risk Management - **Enterprise**

Prepared by: ⁽³⁾ Sarah Skinner Date Prepared: ⁽⁴⁾ 1/24/25 Phone: ⁽⁵⁾ 402-419-4229

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$73,234		\$73,234	
CASH FUNDS	\$31,735		\$31,735	
FEDERAL FUNDS	\$12,206		\$12,206	
REVOLVING FUNDS	\$4,882		\$4,882	
REVOLVING FUNDS – Risk Management	\$122,056	\$122,056	\$122,056	\$122,056
TOTAL FUNDS	<u>\$244,113</u>	<u>\$122,056</u>	<u>\$244,113</u>	<u>\$122,056</u>

*See the table above/below for the enterprise-wide impact by fund type for the increase in revenue.

Explanation of Estimate:

LB 522 proposes to reduce the wait time to begin disability compensation from seven days to three days. It also proposes to compute compensation from the date disability began if disability continues for only two weeks as opposed to the current six-week time period. The impact on the workers' compensation program is that there will be an increase in claim conversions from medical only to indemnity workers' compensation payment for Temporary Total Disability (TTD) and Temporary Partial Disability (TPD). LB 522 would require a cost-of-living adjustment (COLA) for weekly disability benefits or weekly death benefits that exceed one year.

From July 1, 2023, to June 30, 2024, there were 75 reported claims, which would require additional compensable days due to the shortened waiting period, with 187 additional days owed. Using an average hourly rate of \$24.43, the daily TTD rate is \$130.36 $(\$24.43 \times 8) \times 2/3$, and the maximum TTD rate for 2024 is \$1,094, which would be a daily rate of \$156.69 $(\$1,094 \div 7)$.

Due to shortening the waiting period, the 75 claims with the 187 additional days owed based on an average hourly wage would have resulted in additional payments of \$24,377.32 $(\$130.36 \text{ additional cost} \times 187 = \$24,377.32)$ and at maximum, TTD would be \$29,226.23 $(156.69 \times 187 = \$29,226.23)$. Averaging these totals, the estimated cost would be \$26,801.78.

Reducing the time frame from six weeks to two weeks when disability compensation would begin on the date of disability would have resulted in 111 additional claims from July 1, 2023, to June 30, 2024, and these would retroactively qualify for benefits for the additional four days because of the reduced wait period. The State would pay an additional 444 lost days for these claims. Based on an average hourly wage, additional payments would total \$57,879.84 $(\$130.36 \text{ additional cost} \times 444 = \$57,579.84)$ and at maximum TTD would be \$69,570.36 $(\$156.69 \times 444 = \$69,570.36)$. Averaging these totals, the estimated cost would be \$63,725.10.

With the reduced wait times proposed in LB 522, the total FY2025 impact is estimated to be: \$90,526.88 $(\$26,801.78 + \$63,725.10 = \$90,526.88)$.

The COLA adjustment for benefits exceeding one year is presumed to exclusively applied to Permanent Total Disability (PTD) and death benefits. Also based on FY23-24 claims, the state paid a total of \$1,050,981.50 in PTD and death benefits. Assuming all of these benefits qualified for a 3% COLA, it would be an additional \$31,529.45.

Total estimated impact is \$122,056.33 (\$90,526.88 + \$31,529.45 = \$122,056.33).

These additional costs would result in the need for additional revolving fund appropriation and an increase in the Workers’ Compensation Assessment. The biennial FY25-27 Worker’s Compensation Assessment has already been published and would need to be adjusted, thus impacting agencies, boards and commissions, the University, and the State Colleges. The total impact for the prior fiscal year described above is used below, without any adjustments for possible increases in the average hourly rate as a result of salary increases or additional COLA’s.

The table below summarizes the estimated impact by fund type of the increased enterprise-wide Workers’ Compensation Assessment. The allocation by fund type is based on a five-year (2020-2024) average of the payment of previous Workers’ Compensation Assessments.

	FY25-26	FY26-27
	Expenditures	Expenditures
General Funds	\$73,234	\$73,234
Cash Funds	\$31,735	\$31,735
Federal Funds	\$12,206	\$12,206
Revolving Funds	\$4,881	\$4,881
Total Funds	\$122,056	\$122,056

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$122,056	\$122,056
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$122,056	\$122,056

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Workers' Compensation Court

Prepared by: ⁽³⁾ Jill G. Schroeder Date Prepared: ⁽⁴⁾ January 27, 2025 Phone: ⁽⁵⁾ 402.471.3602

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No Fiscal Impact on the court's operations or funding. Any potential impact on the court's funding from the perspective of an employer, should one of its employees be injured at work and eligible for a cost of living increase, is speculative.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				