PREPARED BY:	Bill Biven, Jr.
DATE PREPARED:	February 19, 2025
PHONE:	402-471-0054

LB 571

Revision: 00

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				
TOTAL FUNDS				

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

LB571 requires a cost-of-living adjustments for any public power district that operates a defined benefit plan.

Beginning January 1, 2026, a public power district operating a defined benefit plan will pay a cost-of-living adjustment (COLA) equal to the annual cost-of-living adjustment (COLA) determined by the federal Social Security Administration to any retiree who is not eligible to receive social security benefits.

FISCAL IMPACT:
No impact to the state, the impact would be with the individual power districts. For instance, OPPD estimates need for a rate increase of 3.2% based on a cost of the COLA of $45 million annually, as well as an increase of $420 million in the accrued liability of the plan, which may necessitate additional contributions annually.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 571	AM:	AGENCY/POLT. SUB: Nebraska Public Employees Retirement Systems (NPERS)
REVIEWED BY: Ryan Walton	DATE: 1/30/2025	PHONE: (402) 471-4174
COMMENTS: The NPERS' assessment of no fiscal impact to the agency from LB 571, appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 571	AM:	AGENCY/POLT. SUB: Omaha Public Power District (OPPD)
REVIEWED BY: Ryan Walton	DATE: 1/30/2025	PHONE: (402) 471-4174
COMMENTS: No basis to disagree with OPPD's assessment of fiscal impact from LB 571.		

Please complete **ALL** (5) blanks in the first three lines. **2025**

LB(1) 571 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska Public Employees Retirement Systems (NPERS)-085

Prepared by: (3) Teresa Zulauf Date Prepared: (4) 1/28/25 Phone: (5) 402-471-7745

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	0	0	0	0
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0	0	0	0

Explanation of Estimate:

LB 571 – Require cost-of-living adjustments for any public power district that operates a defined benefit plan.

No fiscal impact to NPERS Agency 085 operations expenditures.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 25-26	26-27	2025-26 EXPENDITURES	2026-27 EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

Please complete ALL (5) blanks in the first three lines. **2025**

LB(1) 571 **FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Omaha Public Power District

Prepared by: (3) ______ Date Prepared: (4) ______ Phone: (5) ______

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$45,000,000.00		$45,000,000.00	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

A 1% cost of living adjustment (COLA) would increase OPPD's annual contribution to the Retirement Plan by $15 million. The Social Security COLA has averaged 3.8% since 1975 and 2.6% since 2000. Based on a 3% annual adjustment, the COLA would cost $45 million annually.

To pay for the COLA, OPPD would need to raise customer rates. A 1% rate increase equates to approximately $14 million so OPPD would need to raise rates by 3.2% to pay for a COLA. Furthermore, future COLAs must be incorporated into the Retirement Plan liability if the COLA is considered substantially automatic. Given that this adjustment would be mandated by Nebraska law, OPPD would have to incorporate future COLAs into the Retirement Plan liability. A 1% COLA results in an increase in the accrued liability of the Retirement Plan by approximately $140 million so a 3% COLA would result in an increase in the accrued liability by approximately $420 million. If OPPD's accrued liability was increased by $420 million, the Retirement Plan's funded status would decrease to approximately 60.2% from 74.3% as of January 1, 2024. This decrease in funded status would necessitate an increase in the annual required contribution in addition to the $45 million estimated cost of the COLA further pressuring customer rates.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS 25-26	26-27	2025-26 EXPENDITURES	2026-27 EXPENDITURES
Benefits....................................				
Operating....................................				
Travel....................................				
Capital outlay....................................				
Aid....................................				

Capital improvements……………………....		
TOTAL……………………………….…..		