

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2025-26</b>		<b>FY 2026-27</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See Below		See Below	
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS	See Below	See Below	See Below	See Below
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB578 establishes fair labor standards for incarcerated individuals working in city and county jails, as well as within the Nebraska Department of Correctional Services (NDCS). The bill ensures that inmates who work for the state, counties, or private employers are paid at least the minimum wage under the Nebraska Wage and Hour Act. It also extends workplace protections by requiring that inmate labor falls under federal safety regulations, such as those outlined in the Occupational Safety and Health Act.

Beyond wages, LB578 sets clear guidelines for labor conditions, prohibiting excessive labor and banning the use of restraints like shackles or manacles during work. Additionally, it requires that all inmates earning wages have a deposit account, ensuring transparency and financial management. The bill also establishes a structured process for inmate wages to be allocated toward court-ordered restitution payments.

LB578 would require NDCS to pay incarcerated individuals at least minimum wage, impacting payroll costs by an estimated \$113.5 million in FY26 and \$119.5 million in FY27, plus employer tax liabilities of \$8.7 million and \$9.1 million, respectively. Transitioning to an hourly pay system would cost \$11,466, while implementing a banking module for inmate deposit accounts is estimated at \$263,270. Two additional Inmate Accounting positions would be needed, costing \$151,154 in FY26 and \$149,903 in FY27.

The bill eliminates inmate wage deductions for room and board, reducing NDCS revenue by \$1.7 million annually, and removes contributions to the Victim’s Compensation Fund, decreasing Reentry Cash Fund revenue by \$146,000. If inmates are restricted from using wages for personal expenses, NDCS may incur additional costs for hygiene and personal care items. The elimination of Cornhusker State Industries (CSI) would impact operations, with projected losses exceeding \$1.8 million annually. Updating the wage distribution system would cost an estimated \$23,519.

The Crime Commission states it would need to hire an attorney with expertise in labor law and compensation, along with a Budget Officer III to manage fund distribution, audits, and program oversight. The agency also notes that it does not have the necessary office space or equipment to accommodate these additional positions

The Department of Administrative Services (DAS) - Enterprise states that state employees earning below the minimum wage will be brought up to the new rate on July 1, 2025, so LB578 has no immediate fiscal impact on salaries, except for inmate wages. The long-term impact remains uncertain as the minimum wage increases. While there is no current impact on the Workers’ Compensation Fund, DAS notes the possibility of inmates seeking benefits under the Workers’ Compensation Act, which could create a significant financial burden.

Nebraska Association of County Officials (NACO) contacted Nebraska county jail administrators in 2024 to gather data on prisoner work programs, hours worked, and wages paid. Based on responses from key counties, county jail prisoners work approximately 332,775 hours per year, costing counties around \$697,293 in wages. If paid the proposed \$13.50 minimum wage, costs would rise to approximately \$4,492,463—an increase of \$3,795,169, though the actual cost is likely higher since not all county jails were represented in the analysis.

There is no basis to disagree with the estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 578	AM:	AGENCY/POLT. SUB: Supreme Court	
REVIEWED BY:	Jacob Leaver	DATE: 3/10/2025	PHONE: (402) 471-4173
COMMENTS: Concur with the Supreme Court's estimate of minimal fiscal impact as a result of LB 578.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 578	AM:	AGENCY/POLT. SUB: Crime Commission	
REVIEWED BY:	Jacob Leaver	DATE: 1/24/2025	PHONE: (402) 471-4173
COMMENTS: Concur with the Crime Commission's estimated fiscal impact as a result of LB 578.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 578	AM:	AGENCY/POLT. SUB: Department of Correctional Services	
REVIEWED BY:	Jacob Leaver	DATE: 2/7/2025	PHONE: (402) 471-4173
COMMENTS: Concur with the Department of Correctional Services' estimated fiscal impact as a result of LB 578.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 578	AM:	AGENCY/POLT. SUB: Department of Administrative Services	
REVIEWED BY:	Jacob Leaver	DATE: 3/10/2025	PHONE: (402) 471-4173
COMMENTS: Concur with the Department of Administrative Services' indeterminable fiscal impact as a result of LB 578.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 578	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY:	Jacob Leaver	DATE: 3/6/2025	PHONE: (402) 471-4173
COMMENTS: Concur Nebraska Association of County Officials' estimated fiscal impact as a result of LB 578.			

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

**2025**

**LB<sup>(1)</sup> 578**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Crime Commission

Prepared by: <sup>(3)</sup> Bryan Tuma Date Prepared: <sup>(4)</sup> 1/23/25 Phone: <sup>(5)</sup> 531-893-0405

**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	<u>287,720</u>	<u>                    </u>	<u>300,356</u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Explanation of Estimate:**

The proposal would require the Crime Commission to hire an attorney knowledgeable in labor law and compensation issues. The accountability of funds would require the hire of a Budget Officer III position to address distribution of funds, auditing requirements, and program management. The agency currently does not have sufficient office space or equipment for two additional staff members.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Attorney III	<u>1</u>	<u>1</u>	<u>104,000</u>	<u>109,200</u>
Budget Officer III	<u>1</u>	<u>1</u>	<u>83,200</u>	<u>87,360</u>
Benefits.....			<u>65,520</u>	<u>68,796</u>
Operating.....			<u>10,000</u>	<u>10,000</u>
Travel.....			<u>5,000</u>	<u>5,000</u>
Capital outlay.....			<u>                    </u>	<u>                    </u>
Aid.....			<u>                    </u>	<u>                    </u>
Capital improvements.....			<u>20,000</u>	<u>20,000</u>
TOTAL.....			<u>287,720</u>	<u>300,356</u>

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

**2025**

**LB<sup>(1)</sup> 578**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Dept. of Administrative Services (DAS) - ENTERPRISE

Prepared by: <sup>(3)</sup> Sarah Skinner Date Prepared: <sup>(4)</sup> 3/5/2025 Phone: <sup>(5)</sup> 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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>_____</u>	<u>See Below</u>	<u>_____</u>

**Explanation of Estimate:**

LB 578 makes employees and inmates subject to the Wage and Hour Act, requiring at least minimum wage.

State public servants who are currently making less than the defined minimum wage will be brought up to the minimum wage on July 1, 2025. Therefore, LB 578 does not result in an immediate fiscal impact to salaries/PSL with exception of wages paid to inmates, but the fiscal impact to state agencies in future years is uncertain as the minimum wage increases.

LB 578 may result in a fiscal impact to the Workers' Compensation Fund. Although there is no current workers' compensation fiscal impact, the Wage and Hour Act and the Workers' Compensation Act are within the same statutory chapter and it is foreseeable that an argument would be made that inmates could seek benefits under the Workers' Compensation Act, creating a substantial fiscal impact to the Workers' Compensation Fund.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2025**

**LB<sup>(1)</sup> 578**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 3/4/2025 Phone: <sup>(5)</sup> 402.434.5660

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

	<u>FY 2024-25</u>		<u>FY 2025-26</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:**

NACO gathered data by contacting Nebraska county jail administrators in 2024. We asked if jails had prisoner work programs, approximately how many hours prisoners worked in a year, and what rate the prisoners were paid, if any. For some jails, they were unable to provide the number of inmate hours worked and could only provide figures for current total wages and projected annual wages based on proposed minimum wage legislation. We attempted to gather data from the county jails with the most prisoners, and our analytic sample includes the following counties: Lancaster, Sarpy, Douglas, Scotts Bluff, Lincoln, Platte, Saunders, Dawson, Buffalo, Phelps, and Seward. We were unable to gather data from some counties because some jail personnel were not working during our sampling timeframe, unavailable, or unable to return our phone calls before the deadline.

Our analysis of sample counties finds that county jail prisoners work approximately 332,775 hours per year, which currently costs counties approximately \$697,293 in wages. If counties paid prisoners the proposed \$13.50 minimum wage, that cost would increase to approximately \$4,492,463, an increase of \$3,795,169. The 332,775 hours number is the sum of individual figures reported by the counties with one exception which is Lancaster County. They reported a projected total of \$1,324,000 for wages based on a \$12/hr minimum wage, so we just divided \$1,324,000 by 12 to get the hours. We then took that figure and multiplied it by \$13.50 to get Lancaster's 2025 figure, which we added with the others. However, the total of \$3,795,169 is likely a considerable underestimation because not every county jail work program is represented. The actual cost is likely higher.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2025**

**LB<sup>(1)</sup> 578**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Lisa Stanton Date Prepared: <sup>(4)</sup> 01/27/2025 Phone: <sup>(5)</sup> (402)479-5702

**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	<u>\$122,590,365</u>	<u>\$0</u>	<u>\$128,896,179</u>	<u>\$0</u>
CASH FUNDS	<u>\$0</u>	<u>-\$1,846,000</u>	<u>\$0</u>	<u>-\$1,846,000</u>
FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OTHER FUNDS	<u>-\$16,421,083</u>	<u>-\$14,592,566</u>	<u>-\$16,742,509</u>	<u>-\$14,589,128</u>
<b>TOTAL FUNDS</b>	<u><u>\$106,169,282</u></u>	<u><u>\$-16,438,566</u></u>	<u><u>\$112,153,670</u></u>	<u><u>-\$16,435,128</u></u>

**Explanation of Estimate:**

LB578 would require the Nebraska Department of Correctional Services to pay inmates the minimum wage for work and require that they are subject to the Wage and Hour Act. It would provide for applicability of federal workplace safety laws. It would provide for a deposit account for inmates earning wages, and change or eliminate provisions relating to the distribution of wages earned. The bill would eliminate provisions related to the establishment of industries and farms by the NDCS.

Currently, incarcerated individuals assigned to non-industries work assignments in their assigned facility are paid a daily stipend for days worked. Those stipend rates range from \$1.26/day to \$8.69/day for these work assignments. Individuals currently assigned to CSI work assignments and some Community Corrections Center designated work detail assignments are paid an hourly rate of stipend ranging from \$1.13/hr. to \$1.55/hr. Individuals on work release who already receive minimum wage for their work in the community would not create additional cost under this bill. Assuming approximately 90% of incarcerated individuals have a work assignment, the NDCS estimates the impact of paying all eligible incarcerated individuals the minimum hourly wage to be an increase in pay of \$113,461,176 in FY26 and \$119,532,072 in FY27 for non-industries work assignments. The NDCS portion of social security/medicare taxes is \$8,679,780 in FY26 and \$9,144,204 in FY27. The tax amounts are included in this fiscal note as it is unclear whether an employee/employer relationship is created between committed offenders and the department.

Programming costs to change the Corrections Inmate Payroll System (CIPS) from the current daily rate pay plan to the hourly pay plan would be \$11,466.

LB578 would require the Department of Correctional Services to open a deposit account for any committed offender earning wages. The department will hold that account in trust for the offender and transfer ownership of the account solely to them or their designee upon release from commitment. The NDCS would need to pursue an agreement with a financial institution that would be prepared to accommodate these requirements. This may require a Request for Proposal (RFP). Offenders accounts would be subject to any applicable fees, charges, terms, and conditions of the financial institution. Programming costs to implement an outside banking solution module within the current inmate accounting system is estimated to be \$263,270.

Currently, offenders have a release savings balance held in the inmate trust fund. Interest accrues on this balance when it exceeds \$50 and posts to the balance monthly. Typically, offenders do not have access to these funds until their release from the NDCS.

Two additional Inmate Accounting positions would be needed to manage the deposit account. Duties would include opening accounts, transfers from other funds to the deposit account at offender's request, the transfer

of ownership of account upon offender's release, processing changes to offender's designee, distributing account statements, etc. The cost to add these positions is estimated to be \$151,154 in FY26 and \$149,903 in FY27. This amount includes \$104,112 in FY26 and \$107,235 in FY27 for PSL, \$36,464 in FY26 and \$37,532 in FY27 for benefits, and \$10,578 in FY26 and \$5,136 in FY27 for other services and equipment.

It is unclear whether LB578 intends to prevent offenders from using wage funds for personal use while incarcerated (ex. commissary purchases, support sent out to family). If that were the case, it could have significant fiscal impact to the NDCS as not all offender's receive money from other sources. The amount of impact is indeterminable at this time but would include provision of personal care and hygiene items to those individuals.

LB578 eliminates the use of committed offender's net wages for all or part of the cost of room and board. This would result in an estimated reduction of \$1,700,000 in revenue from that currently collected from offenders in work release and private venture positions. The bill also eliminates the use of funds for the cost of destruction or damage to state property and the transportation costs incurred in returning an individual to custody in the event or escape.

LB578 eliminates contributions to the Victim's Compensation Fund from the wages of offenders in work release and private venture positions. This would result in an estimated \$146,000 reduction in revenue in the Reentry Cash Fund.

The cost for modifications this bill would require to the auto-deductor application, which distributes wages earned by offenders into various types of accounts, is estimated to be \$23,519.

LB578 eliminates provisions relating to the Cornhusker State Industries (CSI) operation. Projections for CSI revenues are \$14,592,566 in FY26 and \$14,589,128 in FY27, and for expenses \$16,421,083 in FY26 and \$16,742,509 in FY27.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Accountant II	2.0	2.0	\$104,112	\$107,235
Benefits.....			\$36,464	\$37,532
Operating.....			\$106,028,706	\$112,008,903
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$106,169,282</b>	<b>\$112,153,670</b>

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

**2025**

**LB<sup>(1)</sup> 578**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> 05 Supreme Court

Prepared by: <sup>(3)</sup> Eric Asboe Date Prepared: <sup>(4)</sup> 3/7/2025 Phone: <sup>(5)</sup> 402-326-9215

**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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

LB578, Section 4, requires the Jail Standards Board to consult with the State Court Administrator regarding a process for receiving restitution from persons in jail. Depending on the final process selected there may be some fiscal impact to modify JUSTICE, the court case management system. However, at this time, it is estimated no additional resources are required.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____