

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB477 proposes to make changes to the employer contribution to employee health insurance benefits for the state and political subdivisions. LB477 also proposes a percentage reduction in state aid for political subdivisions that do not comply.

Nebraska State Insurance Program – LB477 proposes the following changes to the employer contribution to the state employee health insurance program.

Fiscal Year	Employer/State	Employee
FY2007-08 (current)	79%	21%
FY2008-09	78%	22%
FY2009-10	77%	23%
FY2010-11	76%	24%
FY2011-12 +	75%	25%

There is the potential for the employer to save 4% of the current health insurance expenditures over a period of 4 years, from all fund sources. It would appear that any savings would begin in FY2009-10. The employer contribution rate for health insurance at 79% of premiums is an agreed upon item in collective bargaining negotiations for the 2007-09 biennium. Section 84-1611(4) provides that “if any provision of this section varies from the terms of a labor contract, the terms of the labor contract shall prevail for the employees covered by the labor contract.” Any savings in the area of the employer contribution to health insurance may be offset by increases in salaries and other benefits since governmental entities bargain based on comparability of overall compensation (48-818).

Political Subdivisions Health Insurance Programs – LB477 proposes the following changes to the contribution to employee health insurance programs for political subdivisions and provides for a percentage reduction in state aid to the political subdivision for non-compliance.

Contract Year	Limit Employer Contribution	Reduction in State Aid if Exceeded
July 1, 2008	90%	.5%
July 1, 2009	85%	1.0%
July 1, 2010	80%	1.5%
July 1, 2011+	75%	2.0%

Section 48-818 requires the Commission of Industrial Relations to consider overall compensation which includes salaries and benefits when determining comparability for collective bargaining purposes. Savings in the area of the employer contribution to health insurance may be offset by increases in other areas of compensation such as salaries.

Please see attached responses from various political subdivisions.

Technical Notes:

- Section 84-1601 specifically excludes the University of Nebraska and the state colleges from the Nebraska State Insurance Program therefore, they would not be included under the provisions of LB477.
- LB477 proposes no reporting, monitoring or oversight mechanism to determine political subdivision compliance.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Joe Wilcox	DATE	1/25/07	PHONE	471-2526
COMMENTS					
NEBRASKA COMMUNITY COLLEGE ASSOCIATION: No basis to dispute agency analysis for Community Colleges.					
NEBRASKA DEPARTMENT OF EDUCATION: Do not disagree with agency analysis for Department of Education.					
LANCASTER COUNTY TREASURER: No basis to dispute analysis by Lancaster County.					
CITY OF LINCOLN/FINANCE DEPARTMENT: No basis to dispute City of Lincoln analysis.					
LOWER PLATTE SOUTH NATURAL RESOURCES DISTRICT: No basis to dispute NRD assertions.					
CITY OF OMAHA: LB 477 goes into effect for periods beginning July 1, 2008. This is the beginning of the 2008-09 fiscal year so would not impact FY 2007-08. Further, the City of Omaha indicates non-compliance would result in a 0.5% reduction in state aid [LB 477, Section 2(2)]. However, 0.5% of \$37,885,721 is <u>\$189,428.60</u> , not \$1,894,286 as indicated above (that would be 5%).					