

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	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.**

LB 1021 aims to amend existing labor-related statutes to require city and county jails, as well as the Nebraska Department of Correctional Services (NDCS) to pay inmates the minimum wage. The bill includes inmate workers under the Wage and Hour Act, defines and redefines relevant terms, and assigns responsibilities to the Jail Standards Board and the Department of Correctional Services.

Section 2 of the bill outlines the management and distribution of wages for inmates working while incarcerated. It mandates that a portion of an inmate's wages, after necessary deductions, is set aside in a separate wage fund, with specific percentages allocated to a deposit account for the inmate's use upon release, and for purchases within the jail commissary. Additionally, it details the distribution of the remaining net wages for family support, legal obligations, restitution payments, and contributions to the Victim's Compensation Fund, ensuring due process and financial management during incarceration.

Section 3 of the bill outlines the employment, working conditions, and financial management of inmate labor. It encourages work and vocational training to foster responsibility, reduce jail operation costs, and specifies conditions to prevent displacement of non-incarcerated workers. It mandates the Jail Standards Board to set rules on labor conditions and compensation, considering work quality, skill, and market value. Inmates can have their earnings invested, and administrators may use inmate wages for damages or costs caused by the inmate, ensuring fair labor practices and financial accountability. Inmates are protected against excessive labor and working while unfit as per medical advice, emphasizing humane treatment and due process.

Section 4 of the bill establishes a process for handling and transferring inmate wages for the purpose of satisfying restitution orders. It details the collaboration between the Jail Standards Board and the State Court Administrator to create rules for fund transfers, treating sentencing orders for restitution as authorization for administrators to withhold wages. It applies to inmate wage funds post-affectiveness, mandates annual restitution collection reports to the Legislature, and requires administrators to provide necessary data for these reports, enhancing transparency and accountability in managing restitution payments.

Section 11 of the bill outlines the financial management of wages for committed offenders, requiring the department to open and manage deposit accounts where 25% of an offender's net wages are saved for them until release. Additionally, another 25% is allocated to a separate wage fund for commissary purchases. The remaining net wages are designated for specific purposes, including contributions to the Victim's Compensation Fund, ensuring a structured and purposeful distribution of earnings to support offender rehabilitation and victim compensation.

NDCS states that in the current system, incarcerated individuals receive a daily stipend for non-industries work assignments within their facility, ranging from \$1.26 to \$6.13 per day, while those engaged in CSI work assignments or specific Community Corrections Center tasks earn hourly stipends between \$.53 and \$1.55. The introduction of LB 1021 proposes a significant shift, mandating that all eligible incarcerated workers be paid the minimum hourly wage, projecting an increase in compensation to \$92,329,865 and \$103,402,979 for non-industries work assignments in FY25 and FY26 respectively, and \$13,840,615 and \$15,584,695 for CSI assignments over the same periods.

This moves towards an hourly pay system, which NDCS states they can leverage the existing CSI timekeeping and payroll setup to implement department wide. This will necessitate a programming update to the Corrections Inmate Payroll System, estimated at \$10,920.

Furthermore, LB 1021 outlines the requirement for the Department of Correctional Services to establish deposit accounts for offenders, into which 25% of their net wages would be deposited and held in trust until their release, necessitating the department to seek a partnership with a financial institution. NDCS states that LB 1021 will require the addition of two Inmate Accounting positions at an estimated cost of \$143,782, covering salaries, benefits, and equipment. Additionally, the bill proposes IT infrastructure modifications costing \$60,190, to adapt wage distribution processes. LB 1021 would prohibit the use of net wages for room and board expenses, potentially reducing revenue by \$160,000 from those in CSI private venture positions.

NDCS states that as of December 2023 the average daily prison population significantly exceeds design capacity. The per diem cost was \$13,383.33 per year for each inmate.

The Nebraska Crime Commission states that the proposed reporting system required in LB 1021, would need to be developed by extracting information from portals and programs such as Corrections, NCJIS, jails, and the PO Portal. This is estimated to cost \$1,000,000 for initial development and \$30,000 annually for maintenance, necessitating the addition of a jail examiner and an IT business systems specialist.

LB 1021 aims to bring the State under the ambit of the Wage and Hour Act, necessitating adjustments to ensure that all employees currently earning below the stipulated minimum wage see their salaries increased, barring those who are explicitly exempt from the Act's coverage. According to the Department of Administrative Services (DAS), this adjustment is projected to increase wage expenditures by approximately \$432,068, with an additional \$33,053 allocated for FICA, amounting to a total of \$465,121 starting July 2024. DAS states that exact impact by fund types is difficult to determine as some agencies and programs could be impacted by wages being adjusted.

The provided table offers a detailed analysis of the estimated increase in enterprise-wide salary expenditures, categorized by fund type. This assessment is derived from an average of the personnel services and labor (PSL) expenditures recorded over a four-year span, from 2020 to 2023.

	<b>FY24-25</b>	<b>FY25-26</b>
	<b>Expenditures</b>	<b>Expenditures</b>
General Funds	\$246,165	\$246,165
Cash Funds	\$108,390	\$108,390
Federal Funds	\$86,706	\$86,706
Revolving Funds	\$23,860	\$23,860
<b>Total Funds</b>	<b>\$465,121</b>	<b>\$465,121</b>

The enactment of LB 1021 would result in a substantial fiscal impact on counties.

There is no basis to disagree with these estimates at this time.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
<b>LB: 1021</b>	<b>AM:</b>	<b>AGENCY/POLT. SUB: Nebraska Department of Correctional Services (046)</b>
REVIEWED BY: Joe Wilcox	DATE: 02/13/2024	PHONE: (402) 471-4178
COMMENTS: Do not disagree with the Nebraska Department of Correctional Services (NDCS) estimate of potential Fiscal Impact to the Agency from LB 1021.		

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
<b>LB: 1021</b>	<b>AM:</b>	<b>AGENCY/POLT. SUB: Nebraska Commission on Law Enforcement and Criminal Justice (078)</b>
REVIEWED BY: Joe Wilcox	DATE: 01/17/2024	PHONE: (402) 471-4178
COMMENTS: Do not disagree with the Nebraska Commission on Law Enforcement and Criminal Justice (Crime Commission) estimate that there is potential Fiscal Impact to the Agency from LB 1021, however there appears to be a technical error in the fiscal note. The breakdown of expenditures by fund type at the top of the fiscal note identifies \$1,200,000 cost in FY 2024-25 and \$230,000 cost in FY 2025-26. The narrative section indicates there is a cost in the first year of \$1,000,000 that does not continue in the second year. However, in the breakdown of costs by category at the bottom of the fiscal note, this \$1,000,000 appears in the detail and total for both FY 2024-25 and FY 2025-26.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
<b>LB: 1021</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Department of Administrative Services (065)</b>
REVIEWED BY: Joe Wilcox	DATE: 01/17/2024	PHONE: (402) 471-4178
COMMENTS: Do not disagree with the Department of Administrative Services (DAS) estimate of potential Fiscal Impact to the Agency and potentially other state agencies from LB 1021.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
<b>LB: 1021</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska Association of County Officials</b>
REVIEWED BY: Joe Wilcox	DATE: 01/16/2024	PHONE: (402) 471-4178
COMMENTS: No disagreement with the Nebraska Association of County Officials (NACO) estimate of potentially significant Fiscal Impact to Nebraska Counties from LB 1021.		

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

2024

LB<sup>(1)</sup> 1021

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> 01/22/2024 Phone: <sup>(5)</sup> (402)479-5702

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	<u>\$92,544,757</u>	<u>\$(160,000)</u>	<u>\$103,541,175</u>	<u>\$(160,000)</u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>\$13,840,615</u>	<u>                    </u>	<u>\$15,584,695</u>	<u>                    </u>
TOTAL FUNDS	<u>\$106,385,372</u>	<u>\$(160,000)</u>	<u>\$119,125,870</u>	<u>\$(160,000)</u>

Explanation of Estimate:

LB 1021 would require the 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 a deposit account for inmates and change provisions relating to the distribution of wages earned by inmates, including a 25% transfer to a separate wage fund managed by the department.

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 \$6.13/day for these work assignments. Individuals assigned to CSI work assignments and some Community Corrections Center designated work detail assignments are paid an hourly rate of stipend ranging from \$.53/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 that 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 \$92,329,865 in FY25 and \$103,402,979 in FY26 for non-industries work assignments, and \$13,840,615 in FY25 and \$15,584,695 in FY26 for CSI work assignments.

The time keeping and pay system currently used at CSI for hourly stipend pay could be implemented department wide. Programming costs to change the Corrections Inmate Payroll System (CIPS) from the current daily rate pay plan to the hourly pay plan would be \$10,920.

LB 1021 would require the Department of Correctional Services to open a deposit account for any committed offender earning wages. The department will deposit 25% of the committed offender's net wages into this account. 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 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.

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 these deposit accounts. Duties would include opening accounts, timely transfer of 25% of net wages to 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 \$143,782. This amount includes \$99,095 for PSL, \$34,709 for benefits, and \$9,978 for other services and equipment.

The cost for IT mainframe development and testing is estimated to be \$60,190. This is primarily for modifications this bill would require to the auto-deductor application, which distributes wages earned by offenders into various types of accounts.

LB 1021 appears to eliminate 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 \$160,000 reduction in revenue from that currently collected from offenders in CSI private venture positions.

As of December 2023, the average daily prison population (ADP) was 141.94% of design capacity. The FY23 per diem cost was \$36.67 for each inmate, or \$13,383.33 per year.

**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>
Accountant II	2.0		\$99,095	\$99,095
Benefits.....			\$34,709	\$34,709
Operating.....			\$106,251,568	\$118,992,066
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$106,385,372</b>	<b>\$119,125,870</b>

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**2024**

**LB<sup>(1)</sup> 1021**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Amanda Limbach Date Prepared: <sup>(4)</sup> 01/13/24 Phone: <sup>(5)</sup> 402-471-8799

**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	<u>1,200,000</u>	<u>                    </u>	<u>230,000</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>
<b>TOTAL FUNDS</b>	<u><u>1,200,000</u></u>	<u><u>                    </u></u>	<u><u>230,000</u></u>	<u><u>                    </u></u>

**Explanation of Estimate:**

Based on the information given, the reporting system required for this bill would need to developed by extracting information from several portals and programs including Corrections, NCJIS, all the jails, and PO Portal. The rough estimate to facilitate that would be \$1,000,000 the first year with a \$30,000 annual maintenance afterwards.

One jail examiner and one IT business systems position to create and maintain the reports.

**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>
Jail Examiner	<u>1</u>	<u>1</u>	<u>60,000</u>	<u>60,000</u>
IT Business Systems	<u>1</u>	<u>1</u>	<u>70,000</u>	<u>70,000</u>
Benefits.....			<u>70,000</u>	<u>70,000</u>
Operating.....			<u>1,000,000</u>	<u>1,030,000</u>
Travel.....			<u>                    </u>	<u>                    </u>
Capital outlay.....			<u>                    </u>	<u>                    </u>
Aid.....			<u>                    </u>	<u>                    </u>
Capital improvements.....			<u>                    </u>	<u>                    </u>
<b>TOTAL.....</b>			<u><u>1,200,000</u></u>	<u><u>1,230,000</u></u>

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

**2024**

**LB<sup>(1)</sup> 1021**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Administrative Services (DAS) – Employee Relations - Enterprise

Prepared by: <sup>(3)</sup> Dan Birdsall Date Prepared: <sup>(4)</sup> 1/9/2024 Phone: <sup>(5)</sup> 402-471-8292

**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	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

LB 1021 requires city and county jails and the Department of Correctional Services to pay inmates the minimum wage for work from such inmates. It also subjects the State of Nebraska to the Wage and Hour Act, from which the State is currently exempt. The bill also changes provisions related to the distribution of wages earned by inmates.

This proposal subjects the State to the Wage and Hour Act, which would require all employees who are currently making less than the defined minimum wage to have their wages adjusted accordingly, unless otherwise exempted from coverage by the Wage and Hour Act. According to DAS records, this would require an estimated increase of \$432,068 in wages plus \$33,053 for FICA for a total of \$465,121 beginning July 2024.

It is difficult to determine the exact impact by fund type as some agencies/programs could be impacted more by having their wages adjusted.

The table below summarizes the estimated impact by fund type of the estimated increased enterprise-wide salary expenditures. The allocation by fund type below is based on an average of salaries (PSL) expenditures over a four-year time period (2020-2023).

	<b>FY24-25</b>	<b>FY25-26</b>
	<b>Expenditures</b>	<b>Expenditures</b>
General Funds	\$246,165	\$246,165
Cash Funds	\$108,390	\$108,390
Federal Funds	\$86,706	\$86,706
Revolving Funds	\$23,860	\$23,860
<b>Total Funds</b>	<b>\$465,121</b>	<b>\$465,121</b>

Additional costs would also arise as the minimum wage increases pursuant to the Wage and Hour Act. Additional costs would also arise by having to increase wages for a large number of public servants in classifications higher in the class series of those who have to be raised to meet minimum wage thresholds. These additional costs are uncertain, as future raises to the State's public servants have yet to be determined, whether by the collective bargaining process or otherwise, and cannot be accurately estimated.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

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

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

**2024**

**LB<sup>(1)</sup> 1021**

**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> 1/12/2024 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:**

LB 1021 would require programs for inmates related to compensation and employment and require minimum wage for inmates of jails and political subdivision employees. From an analytic sample that includes the counties of Lancaster, Sarpy, Douglas, Lincoln, Platte, Saunders, Dawson, Buffalo, Phelps, and Seward (from 10 of the 20 counties with the largest jail populations). Notably, Scotts Bluff County is not represented in this sample.

Analysis of our sample counties finds that county jail prisoners work approximately 184,690 hours per year, which currently costs counties approximately \$666,873 in wages. If counties paid prisoners minimum wage, that cost would increase to approximately \$3,540,280. However, this is likely a considerable underestimation because not every county jail work program is represented, including the aforementioned Scotts Bluff. 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 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____