

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below			
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.

This bill would consolidate offices of clerk of the district court and clerk magistrates. This act becomes operative on January 1, 2020.

Consolidation shall occur as follows:

- (a) On July 1, 2021, for district court judicial district numbers 8, 10, 11, and 12;
- (b) On July 1, 2022, for district court judicial district numbers 1, 3, 5, 6, 7, and 9; and
- (c) On July 1, 2023, for district court judicial district numbers 2 and 4.

This bill transfers county-paid employees to the Supreme Court, and then the Court will pay the salaries, benefits, and expenses of the transferred employees. Therefore, counties will see a reduction in expenditures and the Court will see an increase in expenditures.

The Supreme Court estimates that the bill will increase General and Cash Fund expenditures. They also note that given the time constraints and amount of data required, only preliminary information regarding the fiscal impact was given in their response.

For additional employees and/or reclassifications, the Supreme Court estimates the following costs: For FY20, \$635,000 General Funds, and in FY21 \$1,285,000 General Funds and \$115,000 Cash Funds. For details on this estimated impact, see the Court's response under "2019-2021Biennium".

For the 2021-2023 Biennium, consolidation of district court staff, separate juvenile court staff, and related county positions would occur in 10 judicial districts, and the budgets in these 10 districts total approximately \$12.3 million. In the 2023-2025 Biennium, consolidation of the two remaining judicial districts would occur, and the budgets of these districts total approximately \$14.4 million.

The Court notes that they may receive additional federal funds of \$2.2 million for child support enforcement (Title IV-D). They also note that court fees currently going to the counties could go to the State General Fund if the bill was amended, and this amount is estimated at approximately \$2 million.

See the Supreme Court's response attached for additional details not included in this fiscal note.

The Nebraska Public Employees Retirement Systems (NPERS) states that there are a number of items that must be addressed before they can estimate the cost of this bill. They note at a minimum, an actuarial evaluation is required, and this cost is estimated at \$7,500. See the NPERS response attached for a listing of their questions and concerns regarding this bill.

Douglas County 4th District Court estimates a \$750,000 impact beginning in FY2024 and continuing for 15-20 years. This impact is related to their defined benefit retirement plan. See their response and attached for additional details.

As noted above, counties should see a reduction in expenditures related to district and separate juvenile court staff being transferred to the Supreme Court. Based on the Supreme Court's fiscal note response, this could be several million dollars. Counties could also see a revenue reduction related to federal Title IV-D funds and court fees. See above for the estimated amounts.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 490	AM:	AGENCY/POLT. SUB: Nebraska Supreme Court (005)
REVIEWED BY: Joe Wilcox	DATE: 02/07/2019	PHONE: (402) 471-4178
COMMENTS: LB 490 would consolidate offices of Clerk of the District Court and Clerk Magistrates from Counties to the Nebraska Supreme Court. While it is reasonable to assume this would have a direct impact on Supreme Court expenses related to staffing from Clerk positions which would be shifted to the jurisdiction of the Supreme Court, it is unclear why the Supreme Court fiscal note on the bill assumes additional Court personnel would be needed or reclassified to support the District court in those counties after such staffing shifts were made. The Supreme Court fiscal note on LB 490 ultimately concludes all such potential cost and revenue impacts are Indeterminate at this time.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 490 (085)	AM:	AGENCY/POLT. SUB: Nebraska Public Employees Retirement Systems
REVIEWED BY: Joe Wilcox	DATE: 02/07/2019	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Nebraska Public Employees Retirement Systems estimate of potential but Indeterminate Fiscal Impact to the Agency and the State from LB 490.		

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

2019

LB⁽¹⁾ 490

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ 05 Supreme Court

Prepared by: ⁽³⁾ Eric Asboe Date Prepared: ⁽⁴⁾ 2/5/19 Phone: ⁽⁵⁾ 1-4138

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>

Explanation of Estimate:

LB490, as introduced, would increase General and Cash Fund expenditures and also increase Federal Fund revenue. Given the time constraints and amount of data required, only preliminary information regarding the fiscal impact is given below. If necessary, a more comprehensive fiscal note with an amended impact may be developed at a later date.

2019-2021 Biennium

District court duties are currently performed by 1) an ex officio clerk of the district court who may perform other duties such as county clerk, or 2) an elected clerk of the district court. It is assumed, during the next biennium that:

1. 7 FTE would be needed in the areas of HR, Finance, trial court services, IT and training. Approximate General Fund impact: FY19-20 \$335,000, FY20-21 \$685,000. Cash Fund impact: FY20-21 \$115,000
2. All district court duties from counties with ex officio clerks would be transferred to State Judicial Branch staff. Additional court personnel would be needed or reclassified to support the district court in those counties. Approximate General Fund impact: FY19-20 \$300,000, FY20-21 \$600,000.
3. Some counties with a vacant elected clerk of the district court may consolidate. However, the number of counties and related fiscal impact cannot be determined at this time.

2021-2023 Biennium

Consolidation of district court staff, separate juvenile court staff and related county positions would occur in 10 judicial districts. A reasonable estimate of the increase in General Fund expenditures cannot be determined at this time. However, to provide some information regarding the potential increase in General Fund expenditures an initial review of the Auditor of Public Accounts' website of political subdivision budgets shows that, for 2018-2019, the budgets in the 10 judicial districts total approximately \$12.3 million.

2023-2025 Biennium

Consolidation of district court staff, separate juvenile court staff and related county positions in the two remaining judicial districts would occur. Again, based on the Auditor's website, for 2018-2019, the budgets total approximately \$14.4 million.

Revenue

LB490 provides for Federal Funds currently received by clerks of the district court for expenses related to child support enforcement (IV-D) to come to the Supreme Court. To provide preliminary information regarding the potential increase in Federal Fund revenue, a review of IV-D payments made during FY17-18, shows total reimbursement to all counties was approximately \$2.2 million.

In addition, if LB490 were amended, certain court filing fees currently deposited in the county treasury could be

redirected to the State treasury increasing General Fund revenue. Again, preliminary information from CY2018 indicates that the total from all counties could be approximately \$2 million. It should be noted that not all funds would be collected within one calendar or fiscal year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</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.

2019

LB⁽¹⁾ 490

FISCAL NOTE

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

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ February 5, 2019 Phone: ⁽⁵⁾ 402-471-7745

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The financial impact of LB 490 is difficult to estimate. There are a number of questions and concerns that must be addressed before NPERS can accurately estimate the cost. These questions and concerns are found under the Technical Note.

At a minimum, an actuarial evaluation is required for the Judges Plan, the County Cash Balance Plan, and the State Cash Balance Plan. The estimated cost of this actuarial evaluation is \$7,500.

NPERS needs to ensure the funding status of the Judges Plan is not negatively affected due to a shift in the court fees. NPERS needs to ensure the County Cash Balance Plan is not negatively affected by the lost contributions due to the transfer of employees to the State Cash Balance Plan. NPERS needs to determine what the financial impact of transitioning these employees into the State Plan will be.

Prior to conducting the actuarial evaluation, all affected employers must provide NPERS with the demographic data for the affected employees, including, but not limited to: (a) the number of affected employees, (b) their ages/birth dates, (c) their job/position descriptions, (d) their years of service, (e) their wages or salaries, and (f) their current account balances.

NPERS must also educate the members that are changing plans. To do so, we would need to provide at minimum two educational seminars.

LB490-Consolidate offices of Clerk of the District Court and Clerk Magistrates.

Technical Note:

Below is a summary of the questions and concerns that need to be addressed.

Statutory Language Concerns. The law states, in relevant part, “each transferred employee shall immediately have the right to participate in the [State Plan].”

The law does not clarify whether the affected employees are: (a) required to participate in the State Plan, (b) have the option of remaining in their current retirement plan, rather than participating in the State Plan, or (c) have the option to participate in both plans. Each option affects the administration and funding of the affected plans differently.

The law does not clarify whether affected employees are: (a) required to leave contributions made to their prior retirement plan in that plan, (b) required to move contributions made to their prior retirement plan to the State Plan (as has happened for some county employees in the past), or (c) able to choose whether to leave their

contributions in their prior retirement plan or move them to the State Plan.

The law does not clarify what affect, if any, the transition to the State Plan will have on the vesting status of affected employees in either the State Plan or their prior retirement plan, and what should happen if employer matching contributions are forfeited because they are not vested.

The law does not clarify whether County Defined Contribution Plan members are to be enrolled in the State Defined Contribution Plan or State Cash Balance Plan, and, if enrolled in the State Cash Balance Plan whether they are to be enrolled into tier 1 or tier 2.

The law does not clarify whether County Cash Balance Plan members in tier 1 are to be enrolled into tier 1 or tier 2 of the State Cash Balance Plan.

The law must clarify these issues before NPERS' contracted actuary can determine the impact on plan funding, and before NPERS can determine the impact on plan administration.

Plan Administration Concerns. NPERS will not be able to identify all of the potential plan administration concerns until the law is clarified. Below is a summary of those we have identified so far.

Lancaster County and Douglas County employees are in their own retirement plans. Douglas County employees are in a traditional pension plan which is substantially different in design than the State Defined Contribution and Cash Balance Plans. Lancaster County has different retirement benefits based on when the employee chose to enroll in the plan or was required to enroll in the plan.

NPERS must work with the Lancaster County and Douglas County retirement plan administrators and their county clerks to implement the law. Issues unique to Lancaster County and Douglas County include, but are not limited to: (a) establishing lines of communication with the counties and their retirement plan administrators, (b) educating the affected employees and reporting agents on the NPERS State Plan, (c) ensuring the counties' information technology systems can interface with NPERS' and our recordkeeper's information technology systems, (d) implementing processes for the affected employers to report member data, compensation, service, and contributions to NPERS and our recordkeeper, and (e) implementing internal auditing processes and procedures. Addressing these issues will require lead time, and will incur information technology programming costs that cannot be determined until NPERS staff can inspect the Lancaster County and Douglas County computer systems.

If the intent is to transfer assets from the Lancaster County and Douglas County retirement plans to the State Plan, NPERS must work with the Nebraska Investment Council and Lancaster County and Douglas County retirement plan administrators to map the investments of the affected employees' contributions/retirement funds. After the mapping is developed, the same group must work together to acquire management of the invested funds.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2019

LB⁽¹⁾ 490

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ 4th District Court

Prepared by: ⁽³⁾ Douglas H. Johnson & Robert Gast

Date Prepared: ⁽⁴⁾ 02/07/19

Phone: ⁽⁵⁾ (402)444-7005

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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: The attached estimate affects those employees under 4th District Court that will reach the rule of 75 (full retirement benefit)[red] and those that will be fully vested [blue] in the defined benefit retirement plan currently in place in Douglas County. This estimate does not include any employees currently working for Clerk of Court or Juvenile Courts of the 4th District. Per LB 490 the financial impact would not occur in Douglas County until July 1, 2023(FY 2024). From that point on, this estimate shows that the impact is estimated to be approximately \$750,000 per year for 15 to 20 years per life expectancy guidelines.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Douglas County District Court Defined Benefit Projected Cost Analysis (LB 490)

Salary 2019	DOE	DOB	AGE	Years of service	Years of Service by 2023	Rule of 75	Rule of 75 by 2023	Yearly	Retirement Cost		
12,167.91	2/2/2004	9/16/1963	55	15	20	70	80	\$146,014.92	\$58,405.97		
34.67	6/1/2010	11/2/1969	49	8	13	57	67	\$72,113.60	\$28,845.44		
36.41	8/28/1998	5/30/1963	55	20	25	75	85	\$75,732.80	\$30,293.12		
19.81	9/15/2003	10/27/1954	64	15	20	79	89	\$41,204.80	\$16,481.92		
9,015.19	6/11/1990	11/5/1963	55	28	33	83	93	\$108,182.28	\$43,272.91		
9,779.12	1/17/2012	8/9/1965	56	7	12	63	73	\$117,349.44	\$46,939.78		
8,645.13	2/1/1999	5/22/1974	44	20	25	64	74	\$103,741.56	\$41,496.62	Yearly Retirement Cost -	
23.90	9/8/1992	7/8/1957	61	26	31	87	97	\$49,712.00	\$19,884.80		
27.23	11/6/2000	8/28/1976	42	18	23	60	70	\$56,638.40	\$22,655.36	Yearly Retirement Cost -	
23.37	11/17/2008	6/17/1962	56	10	15	66	76	\$48,609.60	\$19,443.84		
20.04	5/30/2012	1/21/1967	52	6	11	58	68	\$41,683.20	\$16,673.28		
45.13	9/2/2003	3/17/1961	57	15	20	72	82	\$93,870.40	\$37,548.16	Yearly Costs on 40% eligible EE's	
25.73	10/17/2011	9/20/1957	61	7	12	68	78	\$53,518.40	\$21,407.36		
27.73	10/14/2003	7/14/1961	57	15	20	72	82	\$57,678.40	\$23,071.36		
23.29	9/22/2003	11/7/1953	66	15	20	81	91	\$48,443.20	\$19,377.28		
17.4	9/10/2012	4/20/1979	39	6	11	45	55	\$36,192.00	\$14,476.80		
28.87	4/18/2011	5/23/1978	40	7	12	47	57	\$60,049.60	\$24,019.84		
31.3	3/9/1992	6/7/1969	49	26	31	75	85	\$65,104.00	\$26,041.60		
31.3	4/14/2003	8/10/1964	54	15	20	69	79	\$65,104.00	\$26,041.60		
31.3	1/17/1995	1/11/1972	47	24	29	71	81	\$65,104.00	\$26,041.60		
31.3	2/22/2000	10/15/1968	50	19	24	69	79	\$65,104.00	\$26,041.60		
31.3	7/21/2003	5/18/1958	60	15	20	75	85	\$65,104.00	\$26,041.60		
31.3	4/18/2005	12/17/1967	52	13	18	65	75	\$65,104.00	\$26,041.60		
31.3	3/7/1994	5/15/1964	54	24	29	78	88	\$65,104.00	\$26,041.60		
31.3	8/8/2011	8/6/1961	57	8	13	65	75	\$65,104.00	\$26,041.60		
31.3	9/12/2005	3/22/1968	51	13	18	64	74	\$65,104.00	\$26,041.60		
31.3	9/2/2003	6/21/1972	46	15	20	61	71	\$65,104.00	\$26,041.60		
		Red = EE's at Rule of 75									
		Blue- EE's that can take retirement listed at age 65									
		Multiplier is 2% per year for retirement plan		Avg. Years of Service	22	\$517,420.30					
								Yearly Costs on EE's Service Avg.	\$772,520.71		
		27 of 43 District Court employees		Avg. Years of Service	16	\$255,100.41					

