

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

LB532 changes the provisions relating to military service credit for the state administered retirement plans – county, judges, school, state patrol and state. Current law provides that for military service rendered after December 12, 1994, the employer is required to match any contributions made by a member to purchase military service credits for the period in which the member was deployed.

Beginning on a date certain, LB532 provides that the employer will pay both the member and employer contributions plus interest to purchase service credit for federal uniformed service provided by a member pursuant to the Uniform Services Employment and Reemployment Rights Act (USERRA). The date certain for the Defined Benefit Plans (judges, school, and state patrol) is the effective date of the act. The date certain for the Cash Balance and Defined Contributions Plans (county, state) is January 1, 2018.

LB532 will increase costs for the various employers associated with the state administered plans. As indicated by Administrative Services, the fiscal impact cannot be determined since it is not known how many employees will be deployed, the length of time they will be deployed and their rates of pay.

The State Patrol has estimated their costs to be \$46,000 annually based on an estimated average over the past four years.

The Public Employees Retirement Board (PERB) may adopt and promulgate rules and regulation to carry out the provisions of LB532. The Nebraska Public Employees Retirement Systems (NPERS) estimates one-time costs to be \$9,063 which would include programming and updating handbooks and training materials.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
<b>LB: 532</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska State Patrol (64)</b>	
REVIEWED BY: Joe Wilcox	DATE: 2/06/2017	PHONE: <a href="tel:4024714178">(402) 471-4178</a>	
COMMENTS: No basis to dispute the Nebraska State Patrol estimate of potential Fiscal Impact to the Agency from LB 532, although the estimate is limited to prospective amounts. The Agency does not attempt to estimate potential costs for any impact if the bill is intended to be retroactive.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
<b>LB: 532</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska Department of Administrative Services (65)</b>	
REVIEWED BY: Joe Wilcox	DATE: 2/01/2017	PHONE: <a href="tel:4024714178">(402) 471-4178</a>	
COMMENTS: No basis to dispute the Nebraska Department of Administrative Services assumptions behind the potential Fiscal Impact to the Agency from LB 532. The calculations appear reasonable, but the full fiscal impact is Unknown.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
<b>LB: 532</b>	<b>AM:</b>	AGENCY/POLT. SUB: <b>Nebraska Public Employees Retirement Board (85)</b>
REVIEWED BY: Joe Wilcox	DATE: 1/27/2017	PHONE: <a href="tel:4024714178">(402) 471-4178</a>
COMMENTS: No basis to dispute the Nebraska Public Employees Retirement Board (NPERS) estimate of potential Fiscal Impact to the Agency from LB 532.		

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

2017

LB<sup>(1)</sup> LB532

FISCAL NOTE

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

Department of Administrative Services (DAS)

Prepared by: <sup>(3)</sup> Ann Martinez

Date Prepared: <sup>(4)</sup> 01-25-2017

Phone: <sup>(5)</sup> 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</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:

Currently for military service rendered on or after December 12, 1994, any employee who, while an employee, entered into and served in the armed forces of the United States and who, within ninety days after honorable discharge or honorable separation from active duty again became an employee, shall be credited, for the purpose of the provisions of section 84-1317, with all the time actually served in the armed forces, pursuant to 38 U.S.C. 4301 et seq., as if such person had been an employee throughout such service in the armed forces. This includes retirement benefits.

The employee may pay to the retirement system an amount equal to the sum of all deductions which would have been made from the employee's compensation during such period of military service. The payments shall be made within a period of time not to exceed five years. Also, the employer shall allocate the amount of the employer contributions to the member's employee account.

LB532 would require that for military service rendered on or after January 1, 2018, the agency employing the member shall pay to the retirement system an amount equal to the sum of the employee and employer contributions that would have been paid during such period of military service and any actuarial costs necessary to fund the obligation of the plan. The amount paid shall be paid to the retirement system as soon as reasonably practical, but must be paid within a period equal to three times the length of military service, not to exceed five years.

Currently the salary (Personal Service Limit – PSL) and benefits (including the State's share of retirement) for an employee are budgeted and PSL and appropriation are accounted for.

It is assumed that the PSL savings from the vacant position could be used to provide funding to offset the unbudgeted amount of the employee's share of the retirement contribution. Funding would also be required for the unbudgeted actuarial costs either from vacancies savings or additional PSL.

These unbudgeted expenditures would need to be considered when an Agency develops plans on how to cover the duties/responsibilities of the employee who is gone for military service. Currently vacancy savings are used to provide temporary in-grade adjustments to staff to cover these new duties and/or to hire temporary staff. The need to shift vacancy savings from in-grade adjustments to meet the requirements of LB532, could require the utilization of temporary employees and would thus require the use of additional operational funds.

The table below estimates the obligation using the current (FY16-17) average State employee's wage with an increase of 1% for each year of the new biennium. The estimate assumes that the employee would be gone for six (6) months for military service.

The employee contribution to their retirement plan is 4.80%, which under LB532 would become the State's

obligation. The State matches that contribution at a budgeted amount of 7.50%. The interest calculation used is a simple 5% on the total obligation without any compounding calculations.

The estimated amount in this example for FY17-18 is \$3,280 and FY18-19 \$3,312.

	<b>FY17-18</b>	<b>FY18-19</b>
FY16-17 Average State Employee wage per hour <u>\$24.76</u> + 1% increase in FY17-18 & FY18-19	\$25.01	\$25.26
Estimated time employee gone for military service	<u>6 months = 1,040</u> <u>hours</u>	<u>6 months = 1,040</u> <u>hours</u>
Total salary for 6 months / 1,040 hours	\$26,010	\$26,270
Employee's Share of Retirement – paid by State (4.80 % of salary)	\$1,249	\$1,261
State's Contribution towards Retirement ( <u>7.50%</u> of salary) which has been budgeted	\$1,951	\$1,970
<b>State's Total Retirement Contribution Obligation</b>	<b>\$3,200</b>	<b>\$3,231</b>
Estimated actuarial cost – assumes 5% Cash Balance Plan – minimum annual rate of return of 5%. Calculation is 5% simple interest.	\$80	\$81
<b>Total Employer Obligation (Contributions + Simple Interest)</b>	<b>\$3,280</b>	<b>\$3,312</b>

The actual amount would be more if the salary of the employee gone for military service is higher and/or if the length of service was longer. The bill does create a new unbudgeted fiscal requirement.

The exact fiscal impact of LB532 including the fund type cannot be determined. It is currently unknown the number of State employees that might be gone for military service, the length of time they would be gone and/or the hourly wage of those employees.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</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.

**2017**

**LB<sup>(1)</sup> 532**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: (2) Nebraska State Patrol

Prepared by: (3) Carol Aversman Date Prepared: (4) 2-1-2017 Phone: (5) (402)471-4545

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

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$46,000		\$46,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>\$46,000</u>		<u>\$46,000</u>	

**Explanation of Estimate:**

LB 532 requires the Nebraska State Patrol to pay to the retirement system an amount equal to (i) the sum of the member and employer contributions that would have been paid during such period of military service; and (ii) any actuarial costs necessary to fund the obligation of the plan to provide benefits based upon such period of military service. The amount of the contributions required is dependent upon the number of individuals deployed, the length of time they are deployed, the salary that the individuals are earning, as well as the required contribution amount (presently 16% for troopers hired prior to 7/1/16 and 17% for those hired after 7/1/16). It is important to note that some of these variables could fluctuate greatly from year to year. Additionally, it is important to note that individuals often are deployed over long periods of time that cross over biennial budgets. The State Patrol has no assurance that funds will remain available in their budget to fund the employer portion for those individuals deployed over multiple biennial budget periods, as no guarantee for the re-appropriation of unused funds exists. The amount provided above represents an estimated average over the past four fiscal years required for both the employer and the employee's contribution amount (both calculated at 16% of earnings), along with accrued interest. Note that these contributions have ranged from as low as \$7,600 to as high as \$82,600 in the last four years.

This estimate assumes that the bill is prospective only, and is intended to cover the cost for future periods of military service only. It does not factor in contributions for past periods of military service that may have not been made.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....			\$46,000	\$46,000
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u>\$46,000</u>	<u>\$46,000</u>

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

**2017**

**LB<sup>(1)</sup> 532**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Randy Gerke Date Prepared: <sup>(4)</sup> 1/26/2017 Phone: <sup>(5)</sup> (402) 471-9495

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

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$9,062.50	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$9,062.50</u>	_____	_____	_____

**Explanation of Estimate:**

LB532 changes provisions relating to military service credit for the State administered retirement plans. The bill requires the employers in all 5 retirement plans to pay both the employee and employer portions of the retirement contributions that were missed while the member was performing active military service. It is difficult to determine future costs for these provisions due to uncertainty of volume of members that would be covered by this bill.

We are supplying an estimate of one-time programming costs of 50 hours @ \$81.25/hour (\$4,062.50). All member plan handbooks will need to be updated as well employer reporting training materials as well as member education seminars for service members. A one-time estimate for these types of operating expenses is included (\$5,000). NPERS feels that there would be some on-going operating costs associated with recording of data needed for this bill. This is difficult to determine at this time. The programming costs as well as the operating costs would come from modifying NPERS' current purchase of service process.

Please note that there will be costs to the employers in the Plans that will be paying for both the members' and employers' portions and actuarial costs of these military service contributions going forward. This will vary by employer and volume of military service members working for the employer that will be eligible for this credit.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	\$9,062.50	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$9,062.50</u>	_____