

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	585,500 To 685,500		409,930 To 434,930	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	585,500 To 685,500		409,930 To 434,930	

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

LB 79 is the Small Business Retirement Marketplace Act.

Section 2 provides Legislative findings.

Section 3 provides definitions for the following terms:

- Approved Plans
- Balanced Fund
- Eligible Employer
- Enrollee
- Marketplace
- myRA
- Participating employer
- Private Sector Financial Services Firms
- Qualified Employee; and
- Target Date or Other Similar Fund

Section 5 requires the State Treasurer to design and implement a plan for the operation of the marketplace pursuant to the Act. This includes consulting with various state agencies, boards, and commissions. The Treasurer shall approve private sector financial services firms for participation in the marketplace and ensure that the range of investment options offered is sufficient to meet the needs of investors with various levels of risk tolerance and ages. Prior to approving a plan, the Treasurer shall obtain certification from the Department of Banking and Finance and the Consumer Protection Division of the Attorney General's office that the financial services firm providing the plan is in good standing and meets the requirements of the Act.

The State Treasurer estimates the need to hire three FTE to administer the plan: an attorney specializing in taxes, a program manager and an administrative assistant. This estimate appears to be reasonable. The first year of funding includes one-time costs to hire an outside law firm and consultant to prepare and review responses to the RFP. These two issues account for \$80,000 in the first year and are removed from the second year's funding estimate. Other one-time costs included in the first year are for things such as desks, computers, and monitors.

The largest cost will be associated with the contract required in section 6. This will include the costs of developing a website and writing protocols. These costs are estimated to be between \$200,000 and \$300,000 in the first year. These costs cannot be known until the RFP is written and responses are received. There is no basis to disagree with these estimates.

Finally, the Treasurer estimated between \$25,000 and \$50,000 per year (beginning in FY18-19) for website maintenance and hosting, as well as performance updates. There is no basis to disagree with these estimates.

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 79	AM:	AGENCY/POLT. SUB: State Treasurer	
REVIEWED BY: Gary Bush	DATE: 1/24/17	PHONE: (402) 471-4161	
COMMENTS: No basis to disagree on fiscal impact provided by the agency. The estimate appears to be conservative given the requirements set forth in the bill.			

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

2017

LB⁽¹⁾ 79

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 20, 2017 Phone: ⁽⁵⁾ 402-471-2793

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	\$585,500 - \$685,500		\$409,930 - \$434,930	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$585,500 - \$685,500		\$409,930 - \$434,930	

Explanation of Estimate: We researched the small business retirement sites in Washington and Iowa and found that each of these states are very different in the operation of their laws. It appears that Nebraska will be very different from Iowa and similar to Washington. Iowa did have \$1,500,000 in funding to launch their program, Washington's fiscal note was \$503,853 over two fiscal years. However, the Washington Department of Commerce may have absorbed some additional costs in its operating budget.

The bill does not allow for the creation of a program or a fund. A program will need to be created, so the Treasurer can hire people to do the work needed to launch and operate the small business retirement marketplace. A fund will also need to be created, to allow for the payment of salaries for those working on the launching and operation of the small business retirement marketplace, plus office, technical, computer, professional and other expenses related to the launch and operation of the small business retirement marketplace.

At a minimum, a tax attorney, program manager and one clerical support person would be needed. The program manager position will likely require a person with a securities license. The State of Washington has information on all of their eligible financial firms on their website, along with a comparison tool. If Nebraska were to do the same thing, this would take a significant amount of IT development time. Washington has a 15-month contract for these duties, with a contract amount of \$182,000.

For all positions, 1.0% pay increase used for FY 18-19 and 7% health insurance increase.

Included in operating expenses below are costs for an outside law firm and outside consultant to prepare the RFP and to review the responses to the RFP. The RFP and responses will have complex legal issues. Washington used their Attorney General to provide staffing for some legal work, while the more complex legal issues were handled by an outside law firm. Washington used a financial services consultant for assistance in analyzing plan pricing and structure and Washington is planning to keep this contract with the financial services consultant on an ongoing basis, even after the launch of their marketplace. Included is \$40,000 for outside legal work and \$40,000 for a financial services consultant. After program launch, these figures may be reduced in FY 19-20. The remaining items in operating costs are to cover the cost of desks, chairs and, computers for three new employees, plus the annual cost for email service, phone, office supplies, etc. \$2,500 is budgeted for each new employee for desk, chair, computer and two monitors, in FY 17-18 only. Other costs, such as phone usage, email account, supplies, etc. is \$500 for each new employee and are included in both fiscal years.

The largest operating expense will be the cost of the contract, as required in Section 6. This would include developing a website and writing the protocols. These costs are very hard to project and likely won't be known for sure until the RFP responses have been received. With the limited information available, our estimate of the cost of the contract for the first year is \$200,000 - \$300,000. These costs are only included in FY 17-18. However, due to timing of the RFP, contractor

selection and other issues, some of this work may be done in FY 18-19. Therefore, unspent funds as of June 30, 2018 should be re-appropriated to FY 18-19. Additionally, after the website has been developed, protocols have been written and the program has launched, there will be maintenance payments payable to the contractor to host and maintain the website, perform updates and other maintenance work as needed. The amount is estimated to be \$25,000 – \$50,000, in FY 18-19.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18 EXPENDITURES</u>	<u>2018-19 EXPENDITURES</u>
	<u>17-18</u>	<u>18-19</u>		
Attorney, tax specialist	1	1	\$80,000	\$80,800
Program manager	1	1	\$80,000	\$80,800
Administrative Assistant	1	1	\$35,000	\$35,350
Benefits.....			\$96,500	\$101,480
Operating.....			\$289,000 -	\$106,500 -
Travel.....			\$389,000	\$131,500
Capital outlay.....			\$5,000	\$5,000
Aid.....				
Capital improvements.....				
TOTAL.....			\$585,500 -	\$409,930 -
			\$685,500	\$434,930