

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include a revised fiscal note from the agency

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2019-20 | | FY 2020-21 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | 102,382 | See Below | 100,382 | See Below |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | 102,382 | See Below | 100,382 | See Below |

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

Under the provisions of this bill, low-income individuals, members of military families and young workers would not be assessed fees for initial licensure under the Uniform Credentialing Act and the Water Well Standards and Contactors' Licensing Board.

Low-income individuals are those enrolled in a state or federal assistance program or whose family's adjusted gross income is below 130% of the federal poverty limit. Members of military families are active duty service members and their spouses, honorably discharged veterans and their spouses and unmarried surviving spouses of deceased service members. Young workers are those between the ages of 18 and 25.

The fiscal impact is difficult to determine. The Department of Health and Human Services did an analysis of the potential number of individuals who would be applying for initial licenses in the three exempt categories. It is unknown the extent to which the individuals in each of the categories would seek initial licensure and the overlap among the three categories.

The young worker category has the best data available. Of the initial licenses, individuals in the young worker category comprise 42% of all initial licenses. The Department estimates a loss of \$175,000 annually. This estimate appears to be reasonable.

The Department of Health and Human Services researched the potential pool of applicants in the military family category. The age group is 25 to 54 years of age and they are approximately 4.91% of the workforce. There would be an additional loss of revenue, but the impact in this category is much more difficult to estimate. The age range of 25 to 54 excludes those in the young worker category so there is no overlap, but the upper range also includes older workers who are less likely to be seeking initial licensure. The Department's estimate of revenue loss is \$39,000. This may be somewhat high based on the number of older workers included in the analysis.

Similarly, the low-income individual category is hard to estimate. Approximately 8% of the Nebraska adults live below the poverty line. The upper income limit in the bill is higher at 130%. The Department estimates the between 4% and 12% of applicants would qualify for the exemption resulting in a revenue loss of between \$32,000 and \$95,000. Since this is a wide range, the revenue loss is likely to be within the range.

With the revenue loss, fees for those not covered by the exemption would need to be increased to cover the cost of processing the exempt applications. There is a formula for calculating the costs of each profession. The costs would shift from those exempt from the initial licensing fee to all other licensees. The Department estimates that up to 9,000 initial license applications would fall under the exemption. The department issues approximately 149,000 licenses.

The revenue shift in the water well licensing area would be \$16,000.

The Department would need two licensing specialists. The cost would be \$100,382 in FY 2019 and \$94,382 in FY 2020.

Clarification is needed on whether the fee waiver applies to fingerprinting. The cost for fingerprinting for those under the waiver would be approximately \$423,000 that would shift to other licensees.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | |
|---|--|-----------------------|
| LB: 112-REVISED AM: | AGENCY/POLT. SUB: Department of Health and Human Services (DHHS) | |
| REVIEWED BY: Elton Larson | DATE: 2/5/2019 | PHONE: (402) 471-4173 |
| COMMENTS: No basis to disagree with DHHS estimate of fiscal impact to the agency. | | |

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1-14-19

Phone: (5) 471-6719

| | <u>FY 2019-2020</u> | | <u>FY 2020-2021</u> | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | | | | |
| CASH FUNDS | \$117,194 | \$(252,000-325,000) | \$117,194 | \$(252,000-325,000) |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$117,194 | \$(252,000-325,000) | \$117,194 | \$(252,000-325,000) |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 112 would provide for the waiver of all initial occupational fees and fees from licensing requirements for low-income individuals, military families, and young workers.

The bill defines low-income individuals as those enrolled in a state or federal public assistance program or whose income is below 130% of the federal poverty level, or a higher threshold as set by the Department.

The bill defines military families to include active duty service members and honorably discharged veterans, their spouses, and unremarried surviving spouses of deceased service members.

Young Workers Provision: The bill defines young workers to include applicants between the age of 18 and 25. This age range constitutes approximately 42% of initial licenses issued by the Department. Based on a two-year average of fee revenue for initial licensure, the Department estimates an annual revenue loss of \$175,000 as a result of this bill provision.

Processes would need to be developed to verify eligibility for fee waiver for low-income individuals and military families, as the Department currently does not collect the necessary documentation to make this determination. Revisions to the application instructions to specify acceptable proof of qualifying status will be required and performed by the new staff with existing supervision.

Military Families Provision: This fiscal note makes the following assumptions when calculating revenue reduction as a result of the military families provision of LB 112:

According to the US Department of Veterans Affairs, as of the beginning of FFY 2016, there were 46,181 prime age (25-54) veterans living in the state of Nebraska. According to the Department of Defense, approximately 9% of veterans leave service with a discharge status other than "honorable." This note assumes a 91% honorable discharge status for Nebraska veterans. Active duty military constitutes another 6,200 Nebraskans. Of active duty service members, 56.6% are married, according to research published by the Center for Research on Military Organization at the University of Maryland. The number of individuals potentially qualifying under the deceased spouse provision of LB 112 is unknown and is not included in this fiscal note's calculation.

Together, prime age veterans and military spouses constitute approximately 4.91% of the Nebraska labor force. This is the figure applied to estimate individuals likely to be exempted from initial licensure fees under LB 112, though it relies on the assumption that individuals seeking UCA licensure are equally as likely to be classified as being in a military family as the overall population of Nebraska. Based on a two-year average of initial licensure fees, the Department estimates this provision would result in a \$39,000 annual reduction in revenue.

Low-income Provision: According to an analysis of Census Bureau data by the Kaiser Family Foundation, 9% of Nebraska adults live at or below the federal poverty level. LB 112 would create an exemption for individuals below 130% of the poverty level or who otherwise participate in state or federal public assistance programs. To avoid duplicating individuals qualifying under the young workers and military families provision, the Department estimates between 4-12% of applicants would qualify for fee exemption based on only this provision. This would result in an annual revenue reduction of \$32,000-95,000 as a result of this provision.

Additional examination fee revenue lost for activities not directly administered by the Division of Public Health Licensure is estimated at approximately \$16,000 per year.

38-151 specifies the manner by which the Department determines the cost of the credentialing system for professions under the Uniform Credentialing Act. This calculation includes the total of base costs, variable costs, and adjustments as provided in 38-152 to 38-154. The lost revenue as a result of LB 112 would result in a structural deficit in Professional and Occupational Licensure. The Department would likely pursue a fee increase for UCA credentials, though the amount would vary by profession and the Department would require historical data before making fee adjustment determinations. The rate rebase would effectively redistribute the costs of LB 112 from its three groups of interest to individuals not covered by its exemption and those seeking license renewal.

Summary fiscal impact:

The estimate for overall revenue reduction as a result of LB 112 is between \$252,000 and \$325,000 per year, or \$492,000 and \$618,000 over the course of the two-year period of this fiscal note.

The estimated revenue loss as a result of LB 112 is equivalent to approximately 42 percent of Professional and Occupational Licensure initial licensure revenue and 4-5 percent of Professional and Occupational Licensure annual operating expenses.

Approximately 8,000-9,000 initial licensure applications could become fee exempt via provisions in LB 112. The Department estimates an additional 2 FTE Health Licensing Specialist would be required to perform verification under the military families and low-income workers provisions (Program 178).

Exemption applications: 8,000-9,000

Average time to verify exempt status: 0.5 hours

Annual labor hours: 4,000-4,500

FTE: 1.9-2.2 FTE

Currently, applicants are responsible for fingerprinting and obtaining a criminal history background check to submit with their application to the Department. The estimate does not include costs associated with performing fingerprinting or criminal history background checks. Should it be determined that the Department of Health and Human Services would be responsible for receiving, processing and tracking the fingerprinting and criminal history background checks and the costs be waived for the above groups as well, an additional appropriation would be needed to pay for the cost. The current cost is \$47.00 per fingerprinting and a criminal history background check for the Nebraska State Patrol. If DHHS would pay for the criminal background checks for 9,000 applications per year, this would cost the department \$423,000 (Cash Funds).

Legislation appears to be self-executing. No changes to rules or regulations sections would be required.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

| POSITION TITLE | NUMBER OF POSITIONS | | 2019-2020 | 2020-2021 |
|------------------------------------|---------------------|-------|------------------|------------------|
| | 19-20 | 20-21 | EXPENDITURES | EXPENDITURES |
| X01750 Health Licensing Specialist | 2 | 2 | \$65,986 | \$65,986 |
| <hr/> | | | | |
| <hr/> | | | | |
| Benefits..... | | | \$22,396 | \$22,396 |
| Operating..... | | | \$28,813 | \$28,813 |
| Travel..... | | | | |
| Capital Outlay..... | | | | |
| Aid..... | | | | |
| Capital Improvements..... | | | | |
| TOTAL..... | | | \$117,194 | \$117,194 |