

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$14,874,052			
CASH FUNDS			\$75,936,594	\$75,936,594
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$14,874,052		\$75,936,594	\$75,936,594

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

LB 955 creates the Paid Family Medical Leave Act.

The basic purpose of LB 955 is to provide employees with paid leave to care for family members, including newborn and newly-adopted children, incapable of self-care.

Employers subject to the Employment Security Law are subject to the provisions of LB 955.

Administration and enforcement of the Act is given to the Department of Labor.

Employees who qualify for leave under the Act shall be entitled to wages during the time the employee qualifies for paid family medical leave. The wages are to be the average wage of the employee over the last calendar or portion thereof, while employed by their current employer. The employee may take up to six consecutive weeks or up to forty-two days on an intermittent basis of such paid leave. The employee taking leave under this Act shall do so concurrently with any leave taken under the federal Family and Medical Leave Act of 1993. An employee taking leave under this Act may not receive unemployment benefits while taking such leave.

In addition, the bill provides definitions for family member, parent of an employee, placement for adoption, and serious health condition; requires the employee to furnish to the Commissioner of Labor a notice and claim for paid leave benefits and the employer a notice to the Commissioner containing information that determines the employee's eligibility for paid family leave; requires certification of a family members serious health condition; notice by the employee to the employer of intent to take paid leave; and reporting requirements for the Department of Labor.

The bill also creates the Paid Family Medical Leave Fund. The Fund consists of employee contributions collected by covered employers as payroll deductions and remitted to the State Treasurer for credit to the fund; paid family medical leave wages and administration costs for the Act shall be paid from the Fund. The Commissioner of Labor is to determine the payroll contribution for employees to be collected necessary to cover the costs of the Act and re-determine such amount each fiscal year thereafter.

The bill becomes operative on July 1, 2015.

The Department of Labor has indicated they will require a General Fund appropriation to cover start-up costs for the leave program in order to be ready to administer the program by July 1, 2016. The Department will need to establish the processes necessary to administer the Paid Family Medical Leave Fund and the program. The Department estimates the cost to implement LB 955 to be \$14,874,052 in FY14-15 and \$1,254,016 in FY15-16. PSL is \$795,128 in FY14-15 and \$541,187 in FY15-16. The majority of operational funds expended in FY14-15 are for system development.

The Department also estimates payroll contributions to and leave wages paid from the Family Medical Leave Fund in the amount of \$73,936,594 in FY15-16. We disagree somewhat with the Department's allocation of expenditure. Section 14 (2) states that medical leave wages and administration costs shall be paid from the fund; therefore, contributions from employees need to be set at a level necessary to fund the Department's administrative costs. The expenditure amount of \$1,254,016 for personnel and operations should be included as cash funds in both revenue and expenditures.

We have no basis to disagree with the Department of Labor's total estimate of fiscal impact.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 955	AM:	AGENCY/POLT. SUB: Dept. of Labor	
REVIEWED BY: Gary Bush		DATE: January 27, 2014	PHONE: 471-4161
COMMENTS: No basis to disagree with the agency's estimate of impact.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 955	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Gary Bush		DATE: February 3, 2014	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimate provided by the University.			

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2014

LB⁽¹⁾ 955

FISCAL
NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Debbie Kay Ward Date Prepared: ⁽⁴⁾ 01/24/2014 Phone: ⁽⁵⁾ 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$14,874,052</u>	<u> </u>	<u>\$1,254,016</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u>\$73,936,594</u>	<u>\$73,936,594</u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$14,874,052</u>	<u> </u>	<u>\$75,190,610</u>	<u>\$73,936,594</u>

Explanation of Estimate: LB 955 would create the Paid Family Medical Leave Act (PFMLA) and have the Commissioner (NDOL) enforce the Act. As an employer, NDOL employees would be covered employees and NDOL would administer the Act. For all practical purposes, the types of events that would entitle an individual to federal FMLA would also entitle an individual to PFMLA benefits. NDOL would be impacted as any employee covered for UI is covered for PFMLA as NDOL will determine eligibility and administer the program including the issuance of an annual report. This will require the development and implementation of a new Paid Family Medical Leave Fund (PFMLF) and system required to administer the fund and program. The Commissioner will administer the program, determine the Employee Contribution rate on an annual basis and determine and collect overpayments. Benefits will be paid from the PFMLF.

The fiscal note assumes a General Fund appropriation to cover start-up costs so that NDOL can be ready to administer the act on July 1, 2016 while the operative date is July 1, 2015. Prior to these dates, NDOL will need to establish the Fund to which employee contributions will be deposited, establish a method for payment, create the forms that employers are required to post, establish procedures for employers to remit the contribution due, and hire staff to administer the program.

Costs associated with developing the system include \$489,440 related to hardware and software and \$12,480,000 for contracted system development. This will also require the addition of 7 I.T. FTE's and 10 Labor Standard FTE's totaling \$1,091,655 for the first year. Subsequent years will require 3 I.T. and 10 Labor Standard FTE's, respectively totaling \$743,012. Fiscal Year 2015-16 reflects taxes collected and benefits paid.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Data Base Administrator	.5	.5	\$37,362	\$38,203
IT Application Developer	2.25	2.25	119,633	122,324
Infrastructure Support Tech	.25	.25	13,292	13,592
IT Supervisor	4.0	4.0	265,850	
Labor Law Specialist	8.0	8.0	301,240	308,018
Staff Assistant I	2.0	2.0	57,751	59,050
Salaries.....			\$795,128	\$541,187
Benefits.....			\$296,527	\$201,825
Operating.....			\$13,074,957	\$511,004
Travel.....				
Capital outlay.....			\$707,440	
Aid.....				
Capital improvements.....				
TOTAL.....			\$14,874,052	\$1,254,016

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2014

LB⁽¹⁾ 955

**FISCAL
NOTE**

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 31, 2014 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>305,500</u>	<u> </u>	<u>302,500</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>
TOTAL FUNDS	<u><u>305,500</u></u>	<u><u> </u></u>	<u><u>302,500</u></u>	<u><u> </u></u>

Explanation of Estimate:

LB 955 creates a paid family plan for Nebraska. Since the tax is on employees and not on employers there is at least no direct effect on the University.

The bill does require employees be notified on several occasions, including initially (to every employee) after the Dept. of Labor determines the content. It also requires the Dept. to be notified when this type of leave is taken by an employee (again on forms to be provided). This could be a great many notices to file and then track to be certain the dates planned were actually used. It requires a calculation of the last quarter's pay for each individual employee applicant on every notification as well.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Human Resources Specialists	<u>3.75</u>	<u>3.75</u>	<u>225,000</u>	<u>225,000</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benefits.....			<u>67,500</u>	<u>67,500</u>
Operating.....			<u>10,000</u>	<u>10,000</u>
Travel.....			<u> </u>	<u> </u>
Capital outlay.....			<u>3,000</u>	<u> </u>
Aid.....			<u> </u>	<u> </u>
Capital improvements.....			<u> </u>	<u> </u>
TOTAL.....			<u><u>305,500</u></u>	<u><u>302,500</u></u>