

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below			
CASH FUNDS	20,000		0	
FEDERAL FUNDS				
REVOLVING FUNDS				
TOTAL FUNDS	20,000		0	

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

This bill would change provisions relating to garnishment, and it becomes operative on January 1, 2019.

The Supreme Court states that this bill would require a one-time Cash Fund expenditure of \$20,000 for modifications to the judicial branch case management system.

DAS State Accounting (DAS) estimates the following costs from this bill:

	FY2018-19	FY2019-20	FY2018-19	FY2019-20
ITEMS	Number of Positions		Expenditures	
Accounting Clerk III	0.75	-	21,943	0
Benefits			22,061	0
Operating			3,979	0
One-time Development			30,000	0
Capital Outlay			2,500	0
TOTAL	0.75	-	80,483	0
By Fund Source:				
GENERAL FUNDS			20,012	0
CASH FUNDS			30,007	0
FEDERAL FUNDS			17,380	0
REVOLVING FUNDS			13,084	0
TOTAL FUNDS			80,483	0

DAS states that these additional costs could result in the need for an increase in their Revolving Fund appropriation and an increase in the accounting assessment for FY19. They further note that the FY19 accounting assessment has already been published, which could require additional appropriation adjustments state-wide.

This bill has an operative date of January 1, 2019. Therefore, if this bill has the impact that DAS estimates, there will be time to include any increased costs into the accounting assessment that agencies pay during the next biennial budget process. The agencies start compiling their budget requests in July 2018, and submit their requests in September 2018.

The Department of Health and Human Services (HHS) states that this bill would waive sovereign immunity for the state and allow persons to garnish not only state employees, but any service providers who receive periodic payments from HHS.

In order to process garnishments for service providers, HHS would need additional staff because a manual process would have to be created outside of HHS's current payment systems. The number of additional staff is unknown at this time.

See the responses of DAS and HHS attached for additional details not included in this fiscal note.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 978	AM:	AGENCY/POLT. SUB: Nebraska Supreme Court (005)
REVIEWED BY: Joe Wilcox	DATE: 02/12/2018	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Nebraska Supreme Court estimate of potential One-time Cash Fund impact to the Agency from LB 978.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 978	AM:	AGENCY/POLT. SUB: Department of Administrative Services – State Accounting Division (065)
REVIEWED BY: Joe Wilcox	DATE: 01/26/2018	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Department of Administrative Services (DAS) – State Accounting Division estimate of potential Revolving Fund impact to the Agency from LB 978, given the assumption that after the first year, the agency would be able to utilize an automated process to generate the required reports and thereby eliminate the costs associated with preparing such reports the first year. The Revolving Fund Revenue noted in the fiscal note is derived from DAS assessing other state agencies for the cost of the reports, which expense would then ultimately be borne by the respective state agency, which is the basis for the table identified in the fiscal note which identifies the cost broken out by fund type, based on the typical disbursement by agencies in paying the current DAS Accounting Assessments.		

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2018

LB⁽¹⁾ 978

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – State Accounting

Prepared by: ⁽³⁾ Jerry Broz Date Prepared: ⁽⁴⁾ 1/17/2018 Phone: ⁽⁵⁾ 402-471-0600

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	\$80,483	\$80,483	_____	_____
TOTAL FUNDS	<u>\$80,483</u>	<u>\$80,483</u>	<u>\$0</u>	<u>\$0</u>

Explanation of Estimate:

LB978 amends sections 25-1011, 25-1017, 25-1056, and 25-1558, Reissue Revised Statutes of Nebraska, to change provisions relating to garnishment proceedings instituted on or after January 1, 2019.

We have identified two issues having a significant impact on current DAS State Accounting operations:

I. Sec 25-1011, new Section 2(2) states: "At any time, you (judgment debtor) may ask the employer for a report that shows how your employer calculated the amount taken from your pay."

The proposed legislation does not specify the contents of the report, so the following minimum information will be provided: calculation of disposable earnings; amount exempt from garnishment; amount subject to garnishment; and, amount garnished.

It was determined that the three-year annual average for new garnishment orders processed was 2,115. Assuming each judgement debtor requests at least one copy of the deduction calculation report, and estimating it takes an Accounting Clerk II approximately 45 minutes from beginning to end to manually generate the report, this equates to approximately 1,586 hours annually. (2,115 reports X 75% of one hour = 1,586 total hours)

This type of report would currently be prepared manually as the underlying information necessary to complete the calculations is stored in both electronic and manual formats. Currently State Accounting is involved in the HCM (Human Capital Management) validation process for the new Oracle Fusion platform. Oracle Fusion is a cloud-based platform wherein best practice solutions are programmed, and can be configured during implementation to provide processes that best fit the State's operational requirements. The HCM module will include payroll including garnishments. The Oracle platform will go live on January 1, 2019.

To date the Oracle validation process has not included the garnishment process, so it is unknown at this time how the process will work or what reports can be generated. Automating this report within the Oracle Fusion payroll module would be necessary to provide the judgment debtor (employee) accurate information in a timely basis. Development and programming time would be necessary to create the automated process to generate the report on demand and possibly eliminate the need for additional staffing to maintain the manual process. It is conservatively estimated that 200 programming hours be incurred at \$150 per hour for a one-time programming cost of \$30,000 (200 hours x \$150 per hour = \$30,000).

State Accounting also handles garnishments for the University of Nebraska. It is unclear at this time if the garnishment process for the University of Nebraska can be automated as they use another ERP (Enterprise Resource Planning) system for their payroll processing. The cost is also an unknown.

An alternative solution could be to outsource the garnishment process. This solution would require one-time costs for development and annual re-occurring costs, which are unknown at this time.

Due to the various uncertainties at this time, State Accounting is requesting the addition of a 3/4 time FTE - Accounting Clerk II to ensure compliance. This position would work with the team developing the automated solution and to generate the requested reports if the solution isn't completed by January 1, 2019. A decision would be made during FY18-19 if this position would continue into FY19-20 depending on the outcome of the automation project. Additional costs would be addressed at that time.

The estimated cost for this 3/4 FTE is \$50,483 in FY18-19. These costs include salary and benefits (health insurance is based on the State's current share of the highest cost family plan); ongoing annual operating costs (communications/data processing, printing/publication, rent/depreciation surcharge, and supplies. There would also be a one-time cost of \$2,500 in FY18-19 for set up costs and the purchase of new equipment.

These additional costs would result in the need for additional revolving appropriation and an increase in the DAS State Accounting Assessment for FY18-19. The FY18-19 assessment has already been published, which could require other appropriation adjustments state-wide.

The table below summarizes the impact by fund type of the increased state-wide DAS State Accounting Assessment. The allocation by fund type is based on a (4) four year average [2014-2017] of operational expenditures.

	FY2018-19
	Expenditures
General Funds	\$20,012
Cash Funds	\$30,007
Federal Funds	\$17,380
Revolving Funds	\$13,084
Total Funds	\$80,483

II. Clarification of the added language in Sec 25-1558 (4) is needed to understand the intent to expand the definition of "employee". Without this clarification, it is difficult to assess the financial impact of the change. For instance, if the intent is to broaden the definition to capture independent contractors, garnishment rules and processes developed in the Oracle Fusion payroll module would have to be duplicated in the accounts payable module. It is highly probable that such modification would require significant development and programming hours which are not calculable at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2018-19	2019-20
	18-19	19-20	EXPENDITURES	EXPENDITURES
Accounting Clerk III	3/4		\$21,943	
Benefits.....			\$22,061	
Operating.....			\$3,979	
One-time Development.....			\$30,000	
Capital outlay.....			\$2,500	
Aid.....				
Capital improvements.....				
TOTAL.....			\$80,483	\$0

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 1-26-18

Phone: (5) 471-6719

	<u>FY 2018-2019</u>		<u>FY 2019-2020</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

Explanation of Estimate:

LB 978 provides a definition of an employee as an individual or former employee owed earnings, treated by an employer as an employee for federal-employer tax purposes; or receives earning from an employer through periodic payments and is not treated as an employee for tax purposes.

As written, this bill would waive sovereign immunity for the state and allow individuals to garnish not only state employees, but any service provider who is receiving periodic payments from the Department of Health and Human Services. Each Division has service contracts and this would impact thousands of contracts, and it is likely each of these would need to be updated. The language of the bill does not clearly exclude foster care maintenance payments and subsidy payments. Federal regulations could then come into conflict with this bill.

In order to process the garnishment for these service providers, a manual process would have to be created outside of the Department's normal NFOCUS or MMIS payment systems. This would require additional staff to process and monitor these garnishments. The number of additional staff needed would depend upon the manual process created and the volume of garnishments, which is unknown at this time.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2018-2019	2019-2020
		18-19	19-20	EXPENDITURES	EXPENDITURES
Benefits.....					
Operating.....					
Travel.....					
Capital Outlay.....					
Aid.....					
Capital Improvements.....					
TOTAL.....				See Above	See Above

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2018

LB⁽¹⁾ 978

FISCAL NOTE

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

Prepared by: ⁽³⁾ Eric Asboe Date Prepared: ⁽⁴⁾ 2/9/18 Phone: ⁽⁵⁾ 1-4138

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>20,000</u>	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>20,000</u>	_____	_____	_____

Explanation of Estimate:

LB978 would require one-time modifications to the judicial branch case management system.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	<u>20,000</u>	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>20,000</u>	_____