PREPARED BY: DATE PREPARED: PHONE: Scott Danigole May 20, 2015 471-0055

LB 591

Revision: 02

FISCAL NOTE

Updated to reflect all amendments adopted to date.

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS	47,708	(529,000)	(1,685,000)	(563,000)			
CASH FUNDS	476,785		206,785				
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	524,493	(529,000)	(1,478,215)	(563,000)			

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

LB 591, as amended, establishes the Achieving a Better Life Experience (ABLE) program.

Section 1 provides definitions.

Section 2 establishes the program and requires the State Treasurer to implement the program to encourage people to save private funds for the purpose of supporting individuals with disabilities. Section 2 also allows for program costs to be paid by the Treasury Management Cash Fund.

Section 7 establishes the ABLE Program Fund, the ABLE Administrative Fund, and the ABLE Expense Fund. The ABLE Expense Fund shall be used to pay for the costs associated with the program and shall be funded with fees assessed to the program fund. When the State Treasurer determines that he ABLE Program Fund is generating enough fees to make the program self-sustaining, it is the intent of the Legislature to reimburse the Treasury Management Cash Fund for start-up costs of the program from the Expense Fund.

Section 12 allows for a reduction of Federal Adjusted Gross Income for contributions to ABLE accounts.

The State Treasurer estimates the need for one FTE Administrator to carry out the bill's provisions. Ongoing costs are estimated to be \$135,000 per year. This would cover the costs associated with ongoing legal work, marketing costs, and other office expenses. One-time costs are estimated to be \$270,000. This would cover the costs of an RFP for a Program Administrator and contract with the winning bidder.

The Federal AGI reduction will result in some state income tax reduction. That amount will depend on the number of participants and the level of contributions for each participant. The Department of Revenue estimates General Fund revenue decreases of \$768,000 in fiscal year 2015-16 and \$813,000 in fiscal year 2016-17. Those decrease estimates deepen in future years as plan participation grow. In addition, the Department of Revenue estimates \$17,024 to address the necessary mainframe and NebFile development costs. While there is no basis to disagree with these estimates, it should be noted that the General Fund revenue loss estimates for new programs such as this tend to be much lower in the first few years. It is likely that the revenue loss estimated here is greater than what may be realized, but the actual amount is dependent on the number of participants and the level of plan contributions. Due to these variables it is prudent to assume a greater reduction at the outset.

As amended by AM1682, the provisions of LB76 are included in the bill. Changes in the Homestead Exemption are included that will result in decreases to the General Fund for both revenue and expenditures. Furthermore, changes in the earned income tax credit to individuals are included. Again, this will result in decreases to the General Fund for both revenue and expenditures.

LB⁽¹⁾ 591 AM598 & AM1587

FISCAL NOTE

State Agency OR Political Subdivision Name: (2)		Nebraska State Treasurer					
Prepared by: ⁽³⁾	Jason Walters	Date Prepared: ⁽⁴⁾	May 14, 2015 Phone:	(5) 402-471-2793			
	ESTIMATE PROVIDI	ED BY STATE AGEN	NCY OR POLITICAL SUBDI	VISION			
)15-1 <u>6</u>	FY 2	016-17			
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS CASH FUNDS FEDERAL FUNDS	\$476,785		\$206,785				
OTHER FUNDS TOTAL FUNDS	\$476,785		\$206,785				

Explanation of Estimate:

LB591 makes the State Treasurer the trustee of the achieving a better life experience program. The program anticipates a single administrator selected by the State Treasurer. The Treasurer estimates the need for one full-time employee to oversee the implementation and ongoing administration of the program.

This fiscal note includes \$270,000 of Treasury Management Cash Funds to be appropriated in FY 2015-16 to cover start-up costs. An RFP will need to be written, reviewed and issued prior to having a program administrator selected. The State Treasurer would then contract with the winning bidder for a Program Administrator contract. There would be substantial legal costs for the drafting of regulations for the program, plus the review of program disclosure documents. In addition to the legal costs in FY 2015-16, there would be marketing expenses for ads and/or printed materials, costs for computer, monitors, desk, office chair, etc. for the new FTE.

The fiscal note includes \$135,000 in both FY 2015-16 and FY 2016-17 for operating costs. This includes continual legal work, marketing costs, and other office expenses.

LB 591 is unclear about future operating costs. Until earnings in the trust are sufficient to pay the costs of administering, operating and maintaining the trust, funds from the Treasury Management Cash Fund will be needed to administer the program. We cannot determine the revenue amount in either FY 2015-16 or FY 2016-17, due to the uncertainty of the fees that will be agreed to in the program administrator agreement.

Salary of \$50,000 for a full time employee, with health insurance (assuming family plan, \$18,000 per year), retirement benefits (\$156.02/month) and employer taxes (\$159.39/month).

These cost estimates are based on cost estimates for the start-up of the college savings plan, adjusted for inflation.

BREAKD	OWN BY MA.	JOR OBJECTS O	F EXPENDITURE		
Personal Services:			·		
	NUMBER OF	F POSITIONS	2015-16	2016-17	
POSITION TITLE	<u>15-16</u>	<u>16-17</u>	EXPENDITURES	EXPENDITURES	
Program assistant	1 FTE	1 FTE	\$50,000	\$50,000	
Benefits			\$21,785	\$21,785	
Operating			\$405,000	\$135,000	
Travel					
Capital outlay					
Aid					
Capital improvements					
TOTAL			\$476,785	\$206,785	

LB ⁽¹⁾ AM627 & AM1352 to	LB591				FISCAL NOTE
State Agency OR Political Subdivision Nam	e: (2) Nebr	aska Inves	tment Council		
Prepared by: (3) Michael Walden-Nev	wman Date	Prepared: (4)	5/13/15	Phone: (5)	402-471-2001
ESTIMATE PR	OVIDED BY ST	ATE AGENO	Y OR POLITICAL SU	<u>JBDIVISIO</u>	N
<u>EXPENDITI</u>	<u>FY 2015-16</u> <u>URES</u> <u>I</u>	<u>REVENUE</u>	<u>EXPENDITUR</u>	<u>FY 2016-</u> RES	-17 <u>REVENUE</u>
GENERAL FUNDS					
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS \$0		\$0	\$0		\$0
Explanation of Estimate:					
591, it will depend upon the comple	xity of the prog	ram structur	e and growth of the	assets wit	thin the program.
	KDOWN BY MA	JOR OBJECT	S OF EXPENDITUR	<u> </u>	
Personal Services:	NUMBER O	F POSITIONS	6 2015-16		2016-17
POSITION TITLE		<u>16-17</u>	EXPENDITUE	<u>RES</u>	EXPENDITURES
Benefits					
Operating					
Travel					
Capital outlay					
Aid	••••				
Capital improvements				<u></u> -	
TOTAL					

State Agency Estimate							
State Agency Name: Departmen	t of Revenue				Date Due LFA:		
Approved by: Len Sloup Date Prepared: 5/19/2015 Phone: 471-589					Phone: 471-5896		
	2016	FY 2016	<u>-2017</u>	FY 2017-2018			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$47,708	(\$529,000)	(\$1,685,000)	(\$563,000)	(\$1,761,000)	(\$605,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$47,708	(\$529,000)	(\$1,685,000)	(\$563,000)	(\$1,761,000)	(\$605,000)	
	'						

AM 1682 would add two new sections to LB 591. The new sections are substantively the contents of LB 76, which is on General File.

The first new section would amend Neb. Rev. Stat. § 77-2715.07 (credits against the income tax) to limit the eligibility for the nonrefundable and refundable child care credit and the earned income tax credit to individuals that would have been eligible for the respective federal credits after adding back any carryforward of a net operating loss that was deducted for purposes of determining income. These limitations would be operative for tax years beginning on or after January 1, 2015.

The second new section would amend Neb. Rev. Stat. § 77-3504 (the definition of household income for purposes of determining eligibility for the homestead exemption) to require applicants to add back any carryover of a net operating loss. This section would be operative January 1, 2016.

Finally, AM 1682 would amend current LB 591 by inserting a Nebraska adjustment increasing federal AGI for the amount of any cancellation of an ABLE account participation agreement that is refunded to the taxpayer.

LB 591, as amended, carries the emergency clause, which would be in the middle of a tax year. Assuming the exclusions from federal adjusted gross income or taxable income are available for tax year 2015, the bill would affect revenue to the General Fund by the following amounts:

Fiscal year	General Fund	General Fund Revenue
	Expenditure	
2015-16	\$47,708	(\$529,000)
2016-17	(\$1,685,000)	(\$563,000)
2017-18	(\$1,761,000)	(\$605,000)
2018-19	(\$1,840,000)	(\$640,000)

Departmental cost to implement the bill includes \$47,708 for IT development costs.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Operating Costs.					\$47,708		
Travel							
Capital Outlay							
Aid							
Capital Improvements.							
Total			\$47,708				