

Legislative Performance Audit *Committee*

Scope Statement **The Nebraska Advantage Act**

Background

In 2013, the Legislative Performance Audit Committee (Audit Committee) released a performance audit report on selected Nebraska tax incentive programs. The report's overarching finding was that the program goals originally expressed by the Legislature were too general to permit a meaningful evaluation of whether the programs were accomplishing what the Legislature intended.

During the 2014 legislative session, the Audit Committee introduced Legislative Resolution 444, which formed the Tax Incentive Evaluation Committee. In its December final report, the LR 444 Committee recommended that the Audit Committee conduct regular evaluations of Nebraska's tax incentive programs. Further recommendations of the Tax Incentive Evaluation Committee included ensuring that incentive programs meet the Legislature's goals and benefit Nebraska's economy. The special committee identified a set of metrics to guide evaluators in assessing progress towards the incentive programs' goals.

Based on a recommendation of the LR 444 committee, the Audit Committee introduced LB 538 in the 2015 legislative session. The bill, which was passed by the Legislature and signed by the Governor, requires the Legislative Audit Office (Office) to conduct ongoing evaluations of specific tax incentive programs. The tax incentives to be evaluated pursuant to LB 538 include:

- the Nebraska Advantage Act,
- the Nebraska Advantage Rural Development Act,
- the Nebraska Advantage Microenterprise Tax Credit Act,
- the Nebraska Advantage Research and Development Act,
- the Angel Investment Credit Act,
- the Beginning Farmer Tax Credit Act,
- the Nebraska Job Creation and Mainstreet Revitalization Act, and
- the New Markets Job Growth Investment Act.

Each incentive program will be evaluated once every three years.

Nebraska Advantage Act

This scope statement for the Nebraska Advantage Act, the first of the LB 538 performance audits. Under the Nebraska Advantage Act (Neb. Rev. Stat. §§ 77-5701 to 77-5735), the Department of Revenue is responsible for the administration of the Act. This includes approval or denial of applications and an audit of the company prior to benefits distribution.

Audit Scope

As directed by Neb. Rev. Stat. § 50-1209 (3), in this audit, the Legislative Audit Office will answer these questions:

1. Is the Advantage Act meeting the goal of strengthening the state's economy overall by attracting new business to the state, expanding existing businesses, increasing employment, creating high-quality jobs, and increasing business investment?
2. Is Nebraska Advantage meeting the goal of revitalizing rural and other distressed areas of the state?
3. Is the Advantage Act meeting the goal of diversifying the state's economy and positioning Nebraska for the future by stimulating entrepreneurial, high tech, and renewable energy firms?;
4. What are the economic and fiscal impacts of the Advantage Act?
5. Are adequate protections in place to ensure the fiscal impact of the Advantage Act does not increase substantially beyond the state's expectations in future years?
6. What is the fiscal impact of the Advantage Act on the budgets of local governments?
7. What can be done to improve future audits?

The audit will use, to the greatest extent practicable, the metrics set forth by the LR 444 Special Committee's final report. The specific metrics are outlined in the Audit Plan.

Adopted by the Legislative Performance Audit Committee, May 25, 2016.