

Revised on 2/27/07 to reflect the possible pay-out of tax credits over a ten-year period.

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2007-08</b>		<b>FY 2008-09</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$411,000 to \$5,011,000		\$800,000 to \$5,000,000	
CASH FUNDS		\$4,000,000 to \$5,000,000		\$4,000,000 to \$5,000,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$411,000 to \$5,011,000</b>	<b>\$4,000,000 to \$5,000,000</b>	<b>\$800,000 to \$5,000,000</b>	<b>\$4,000,000 to \$5,000,000</b>

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 498 is the Business Partnership in Rural Education Program Act. The bill allows taxpayers to donate some or all of their Nebraska tax credits to school districts located in cities or villages with less than 30,000 people. The taxpayer must also agree to donate cash or property to the school district in an amount equal to 75% of the value of the tax credits to be donated. The state provides financial assistance to the school district in the amount of the donated tax credit. The donee school district may pledge the state's financial assistance as security for additional financial assistance. The act allows a donee school district to issue special obligation bonds to obtain financial support.

The maximum tax credits that may be donated to a school district cannot exceed \$10 million over a four year period. The donee school district is paid in equal monthly payments for up to 10 years depending upon the length of time agreed upon. The financial assistance may be used for operational or capital expenditures.

A program review committee is established in the Department of Revenue to review applications for participation in the program. The committee also reviews annual reports submitted by donee school districts and authorizes the disbursement of annual payments by the Tax Commissioner from the General Fund to a newly created Business Partnership in Rural Education Program Fund.

LB 498 will have a fiscal impact for the General Fund in the amount of tax credits donated to school districts. The Department of Revenue indicates that \$27 million of tax credits expired in 2006 and that amount is expected to grow over the next four years. Assuming only unused tax credits will be donated to school districts, the department estimates there may be \$4 - \$5 million of tax credits donated each year. The amount could be higher if tax credits that could be used by taxpayers are donated. The bill provides for payments to be made in equal monthly payments for up to 10 years. It is unknown how agreements will be negotiated for the payment of funds to school districts. The fiscal impact is estimated to range from \$400,000 (10 year pay-out) to \$5 million (1 year pay-out) per year, depending upon the length of time agreed upon.

The bill will have a one-time cost of \$11,000 of general funds for computer programming in the Department of Revenue to implement the bill. It is assumed the costs of the program review committee can be handled with existing department resources. It is possible the Attorney General may experience a workload increase and have increased expenses if a school district donee is involved in a bond validation proceeding. It is assumed these costs will not be significant enough to require additional staff.

Any state assistance and cash funds received by school districts pursuant to the act will likely reduce the amount of property taxes levied for operations and capital construction projects. The bill does not address how receipts will be treated for purposes of state aid to schools.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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<b>COMMENTS</b>					
ATTORNEY GENERAL – It is assumed the Attorney General's office can address the additional workload they have estimated as a result of this bill within existing resources.					
DEPT. OF EDUCATION – Concur. No fiscal impact.					