

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$237,067	(\$3,500,000)	\$48,086	(\$5,200,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$237,067	(\$3,500,000)	\$48,086	(\$5,200,000)

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

LB 321 creates the Nebraska Industrial New Job-training Act.

In general, the bill would allow Nebraska community colleges to issue and sell bond certificates in order to pay the costs of new job training programs for employers with whom the college has entered into an agreement to provide services or other assistance. The bonds would be payable from the future receipts of new job withholding payments; these payment are based on the wages paid to employees in the new jobs as follows:

- 1) For an employee with a rate of pay less than 200% of the Nebraska average wage, the payment shall be equal to 1.5% of the gross wages paid to the employee;
- 2) For an employee with a rate of pay that is 200% or more of the Nebraska average wage, the payment shall be equal to 3.0% of the gross wages paid to the employee.

The employer is to pay the new job withholding payments out of the amount of funds withheld from the employees' wages for state withholding taxes directly to the community college. The college is to place the revenue received in a special fund used to pay the principal and interest on the bond certificates issued by the college to finance the project under the agreement.

In addition, the board of governors of the community college shall provide for the assessment of an annual levy of a standby tax upon all taxable property within the community college area in order to further secure payment of the job training bonds. This levy is in addition to all other levies and is not to exceed a maximum of two cents per one hundred dollars of valuation. The revenue received is to be placed in a special fund and used only to pay principal and interest on the bonds issued by the college for job training and used only in the event the revenue received from the withholding payments is insufficient to pay principal and interest due.

LB 321 defines a project as a training arrangement which is the subject of an agreement between a community college and an employer in which the college provides services and other assistance to the employer. This assistance includes but is not limited to the following: a) new jobs training; b) adult basic education and job-related instruction; c) vocational and skill-assessment services and testing; d) training facilities, equipment, materials, and supplies; e) on-the-job training; f) administrative expenses for a new jobs training program; g) contracted or professional services; and h) issuance of bond certificates.

An employer seeking such assistance shall apply to the Department of Economic Development (DED) for approval of the project. If the DED finds that that the employer meets the criteria set forth in LB 321, which includes finding that the project will result in new jobs with an average wage that is more than the Nebraska average wage, the application will be approved. Once the project is approved, the community college may enter into an agreement with the employer and shall also notify the Department of Revenue of the agreement.

The Department of Revenue is to develop and maintain a system for tracking agreements entered into under the Act. Both the employer and the community college are to certify to the Department of Revenue the new job payments paid by the employer to the college and any other information required by the Department. Employees are to receive full credit with respect to payment of withholding taxes due from the employee for the amount of new job withholding payments.

Community colleges are required to report agreements entered into under the Act to the Department of Economic Development. The Department is to issue an annual report to the Revenue Committee of the Legislature listing approved projects, number of employees entering into and completing training, number of degrees or certificates awarded, number of full-time and part-time employees as a result of the project; and the schedule for bond certificate repayment for each project.

The Department of Revenue is to issue an annual report to the Revenue Committee of the Legislature detailing the amount of new job withholding payments and the total number of agreements entered into each year.

The bill does not have a stated operative date so will become operative ninety days after the end of the legislative session, which would make the operative date sometime in early September.

Fiscal Impact:

The Department of Labor indicates no fiscal impact to the Department as a result of LB 321.

The Nebraska Community College Association indicates the community colleges may have an increase in revenue for doing industry specific training but offers no estimate of as to the amount of increased revenue.

The Department of Economic Development estimates, based on a similar program in Iowa, that they expect approximately 400 projects during the first year and 2,000 workers trained. When the Act is fully implemented, the Department of Economic Development expects the number of projects to ramp up substantially to approximately 750 or 800 per year, training around 5,000 workers annually.

The Department of Economic Development estimates it will require 0.5 FTE Economic Development Business Consultant to review and approve projects and training, and to prepare the required reports. The estimated cost for FY2015-16 is \$46,901 with PSL of \$22,062 and for FY2016-17 is \$48,086 with PSL of \$22,592.

We have no basis to disagree with the Department of Economic Development's estimate of cost.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 321:

FY2015-16:	(\$ 10,660,000)
FY2016-17:	(\$ 25,370,000)
FY2017-18:	(\$ 26,110,000)
FY2018-19:	(\$ 27,190,000)

The Department of Revenue indicates a cost of \$190,166 paid to the Office of the CIO for a one-time programming charge for mainframe and web development changes.

We have no basis to disagree with the Department of Revenue's estimate of cost.

However, we do disagree with the Department of Revenue's estimate of fiscal impact to the General Fund. We estimate the fiscal impact as follows:

FY2015-16:	(\$ 3,500,000)
FY2016-17:	(\$ 5,200,000)
FY2017-18:	(\$ 7,000,000)
FY2018-19:	(\$ 8,750,000)

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 321	AM:	AGENCY/POLT. SUB: Community Colleges
REVIEWED BY: Lyn Heaton	DATE: 2/9/2015	PHONE: 471-4181
COMMENTS: It is reasonable to assume that the Community Colleges will experience an increase in both revenue and expenditures in the event they provide job training to employers pursuant to the bill's provisions. As noted in the fiscal note prepared by the Community College Association, it is unknown to what extent employers will participate and request training projects. The bill will have no impact on General Fund expenditures for the Aid to Community Colleges program.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 321	AM:	AGENCY/POLT. SUB: Dept. of Economic Development
REVIEWED BY: Lyn Heaton	DATE: 2/9/2015	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Economic Development's estimate.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 321	AM:	AGENCY/POLT. SUB: Dept. of Labor
REVIEWED BY: Lyn Heaton	DATE: 2/9/2015	PHONE: 471-4181
COMMENTS: Concur. No fiscal impact on the Dept. of Labor.		

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 321

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Community College Association

Prepared by: ⁽³⁾ Dennis G. Baack

Date Prepared: ⁽⁴⁾ 1/20/2015

Phone: ⁽⁵⁾ 402-471-4685

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

May have increased revenue by doing some industry specific training. However, it is not known how much training may be requested.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 321

FISCAL NOTE

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

Prepared by: ⁽³⁾ Kim Schreiner Date Prepared: ⁽⁴⁾ 1-20-2015 Phone: ⁽⁵⁾ 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: There will be no fiscal impact on the Nebraska Department of Labor.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

An employee in a new job shall receive full credit with respect to payment of all withholding taxes due from the employee for the amount of any new job withholding payments made to community colleges.

The community college board of governors must also secure the payment of the bond certificates through the assessment of an annual levy of a standby tax upon all taxable property within the community college area. The levy shall be in addition to all other levies established for the community college, but may not exceed a maximum levy of two cents per one hundred dollars of taxable valuation of property subject to the levy. The annual standby tax levy for each year is to reflect the amount of revenue in the special fund and the amount of principal and interest which is due in that year.

The Department of Revenue must annually report on the amount of new job withholding payments that employers have remitted to community colleges each year and cumulatively, and the total number of agreements entered into under the Nebraska Industrial New Job-training Act each year and cumulatively.

The estimated total reduction to the General Fund would be as follows:

FY 2015-2016	\$ 10,660,000
FY 2016-2017	\$ 25,370,000
FY 2017-2018	\$ 26,110,000
FY 2018-2019	\$ 27,190,000

LB 321 will require a one-time programming charge of \$190,166 paid to the OCIO for mainframe and web development changes.