

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	See Below	See Below	See Below
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 1108 proposes to do the following:

- Creates the Yes to Occupational Learning Opportunities Act;
- Creates the Jobs of Tomorrow Innovation Act;
- Changes the state sales and use tax rate;
- Changes the distribution of certain sales and use tax revenue;
- Changes the School Readiness Tax Credit Act;
- Provides for school foundation aid and creates the School Aid Fund;
- Creates the Light Rail Grant Fund;
- Creates the Youth Talent Initiative Fund;
- Establishes the Nebraska Integrated Education and Training Grant Program;
- Eliminates the current intern program administered by the Department of Economic Development;
- Provides for an operative date of January 1, 2019.

Yes to Occupational Learning Opportunities Act creates three credits against income tax withholding or payor tax liability as follows:

- The just-in-time tax credit;
- The Nebraska intern tax credit; and
- The post-training tax credit.

The just-in-time tax credit:

- An employer may apply to the Department of Economic Development for the credit from January 1 to May 31;
- Employer must agree to job training activities to at least one employee who will do the following:
 - + Work in a high needs job;
 - + Work of a minimum of 35 hours per week for at least 6 months;
 - + Participate in at least 40 hours but no more than 160 hours of job training activities;
 - + Upon completion of job training activities be paid an annualized wage at least equal to 240% of federal poverty level and receive employer-provided health benefits OR receive an annualized wage level that is at least 275% of federal poverty level
- The tax credit is equal to 75% of the reasonable costs of the job training activity not to exceed \$2,000 for any employee who:
 - + Is homeless or participates in the TANF program;
 - + Is a veteran;
 - + Has been convicted of a felony;
 - + Qualifies for free or reduced-price lunches as a student;
 - + Is a Federal Pell Grant recipient.
- The tax credit is equal to 75% of the reasonable cost of the job training activity not to exceed \$1,000 for any employee who does not meet any of the above criteria.
- The total amount of just-in-time tax credits that may be granted in a calendar year is \$5,000,000. (**See Table 1**)

The Nebraska intern tax credit:

- An employer may apply to the Department of Economic Development for the credit and must provide an internship during the calendar year which meets the following requirements:
 - + Student must be paid at least the state minimum wage;
 - + The internship must be completed within the State of Nebraska;
 - + The internship must be completed within a period of no more than 12 months;

- + The internship must be long enough to provide significant valuable work experience and knowledge;
- If the student is a Federal Pell Grant recipient or qualifies for free or reduced-price lunches, the credit is the lesser of 75% of the cost of the internship or \$7,500;
- For all other students the credit is the lesser of 75% of the cost of the internship or \$5,000.
- The total amount of intern tax credits which may be granted in a calendar year is \$7,500,000. **(See Table 1)**

The post-training tax credit:

- An employer who plans to hire a student completing an internship or an employee completing job training activities during a calendar year may apply to the Department of Economic Development from January 1 to May 31.
- Employer must agree to hire student or employee within one month after the internship or job training activity ends for a position in which the new employee will:
 - + Work a minimum of 40 hours per week for at least one year;
 - + Be paid an annualized wage level equal to 300% of federal poverty level with employer-provided health benefits OR be paid an annualized wage level equal to 350% of federal poverty level.
- If the student was a Federal Pell Grant recipient or qualified for free or reduced-price lunch, the post-training credit is \$10,000;
- For all other students the credit is \$8,000;
- For employees hired after completing job-training activities, the credit is \$10,000 if they meet any of these criteria:
 - + Homeless or participating in the TANF program;
 - + Is a veteran;
 - + Has been convicted of a felony;
 - + Qualifies for free or reduced-price lunch as a student;
 - + Is a Federal Pell Grant recipient.
- For all other employees hired after completing job-training activities, the credit is \$8,000.
- The total amount of post-training tax credits which may be granted in a calendar year is \$10,000,000. **(See Table 1)**

In addition, all three credits are to be allocated by congressional district in three equal amounts which are further split by employer size.

If the Department of Economic Development determines that any employer has violated their agreement and received tax credits they shouldn't have received, the Department may recapture all or a portion of the tax credits claimed.

Jobs of Tomorrow Innovation Act provides that any business that has formed a partnership (as defined by the bill) may apply to the Department of Economic Development for a nonrefundable income tax credit. The credit is equal to the expenses incurred by the partnership in researching and developing the creation of jobs and technology, not to exceed \$1,000,000 per partnership.

"Partnership" means a contractual agreement between a business and an institution with the purpose of researching and developing the creation of jobs and technology to further Nebraska's economy. "Institution" means any nonprofit, postsecondary institution of higher education that is operating in Nebraska.

DED is to consider applications for the credit in the order in which they are received and may approve up to \$31,500,000 of credits in a calendar year. **(See Table 1)**

Sales and Use Tax Rate is changed from the current rate of 5.5% to the new rate of 6.0%, beginning January 1, 2019 until January 1, 2023. Commencing January 1, 2023 the rate is reduced from 6.0% to 5.5%. **(See Table 2 and Table 4)**

LB 1108 changes the distribution of sales tax revenue by providing that one half of one percent of sales tax revenue derived from the sale or lease for periods of more than 30 days of motor vehicles, trailers, and semitrailers shall be credited as follows:

- One-half to the Transportation Infrastructure Bank Fund; **(See Table 3)**
- One-half to the Light Rail Grant Fund. **(See Table 3)**

One half on one percent of the sales tax revenue on all other transactions shall be allocated as follows:

- \$1,000,000 to the Youth Talent Initiative Fund;
- Remainder to the School Aid Fund.

The funding to the two above funds shall only be made after first deducting the following amounts:

- \$31,500,000 to account for the tax credits authorized in the Jobs of Tomorrow Innovation Act;
- \$22,500,000 to account for the tax credits authorized in the Yes to Occupational Learning Opportunities Act;
- \$5,000,000 to account for the increase in tax credits in the School Readiness Tax Credit Act; and
- \$6,000,000 to account for the funding to the Nebraska Integrated Educational Training Grant Program.

NOTE: The sales tax rate increase that funds the new credits created by LB 1108 ends on January 1, 2023, but the new credits and grant programs do not have sunset dates. The bill does not specify where the funding for these credits and programs will come from after 2022. Consequently, beginning in FY2022-23, LB 1108 will have a General Fund and Cash Fund impact. **(See Table 2 and Table 4)**

School Readiness Tax Credit Act is amended to remove the sunset date and increase both the nonrefundable tax credit available to child care and education providers and the refundable credit available to eligible staff members. The aggregate amount of tax credits that can be distributed in a year is increased to \$10,000,000. **(See Table 1)**

LB 1108 creates the School Aid Fund. The fund is to consist of sales and use tax revenue credited to the fund pursuant to Section 77-27,132, as it is amended by LB 1108. The fund is to be administered by the State Board of Education and is to be used to provide foundation aid to all school districts in the state. The Commissioner of Education is to distribute the certified amount to all school districts on a proportional basis based on fall membership of each school district for the current school fiscal year. (**See Table 1**)

LB 1108 creates the Light Rail Grant Fund. The fund is to be administered by the Department of Transportation and consists of sales and use tax revenue credited to the Fund pursuant to Section 18 of the bill as it amends Section 77-27,132. It is to be used to establish a grant program for light rail projects in the state. The program shall require a dollar-for-dollar match for any grant funds provided.

Section 25 of the bill requires the Department of Economic Development to establish a youth talent initiative, whose purpose is to provide grants to support an industry-defined approach to exposing students to the manufacturing and information technology industries. Student means an individual enrolled in the seventh or eighth grades in a Nebraska public school.

This section of LB 1108 also creates the Youth Talent Initiative Fund to be administered by the Department of Economic Development. (**See Table 1**)

Section 27 of the bill creates the Nebraska Integrated Education and Training Grant Program. The grant program shall provide grants to community colleges for the purpose of developing and implementing local programs of integrated education and training. It shall be administered by the Nebraska Community College Student Performance and Occupational Education Grant Committee.

“Integrated education and training” means instruction that provides adult education and literacy activities or remedial education concurrently with workforce preparation activities and training for a specific occupation or occupational cluster for the purpose of advancement.

The bill states that it is the intent of the Legislature to appropriate \$6,000,000 to carry out the Nebraska Integrated Education and Training Grant Program. (**See Table 1**)

FISCAL IMPACT:

The distribution of credits and grants and the Cash Fund and General Fund impact of LB 1108 are presented in the accompanying tables provided by the **Department of Revenue**.

- **Table 1** shows the distribution of credits and the amount each fund is allocated of the one-half of one percent for non-motor vehicle sales tax;
- **Table 2** shows the total sales tax revenue for the non-motor vehicle portion of the sales tax increase, credits and grants awarded, and General Fund impact (there is no General Fund impact until the sunset of the additional one-half of one percent sales tax);
- **Table 3** shows the distribution of the one-half of one percent sales tax increase for the motor vehicle portion of the Light Rail Grant Fund and the Transportation Infrastructure Bank.
- **Table 4** shows the total sales tax revenue for the motor vehicle portion of the sales tax increase, the credits and grants awarded, and the Cash Fund impact (there is no impact to the Cash Funds until the sunset of the additional sales tax whereupon the Highway Allocation Fund and the Highway Cash Fund would be impacted by the amount of the grants and credits.

Table 1: Distribution of Credits and Grants for Non-Motor Vehicle Sales Tax:

	FY2018-19:	FY2019-20:	FY2020-21:	FY2021-22:	FY2022-23:	FY2023-24:
Just-in-Time Tax Credit:	\$ 0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Intern Tax Credit:	\$ 0	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Post-Training Tax Credit:	\$ 0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Partnership Tax Credit:	\$ 0	\$31,500,000	\$ 31,500,000	\$31,500,000	\$ 31,500,000	\$31,500,000
School Readiness Tax Credit:	\$ 0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Nebraska Integrated Education and Training Grant Program:	\$ 0	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Youth Talent Initiative Fund:	\$ 0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
School Aid Fund:	\$61,400,000	\$84,300,000	\$91,000,000	\$97,100,000	\$103,500,000	\$110,100,000
Total	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$169,500,000	\$176,100,000

Table 2: General Fund Impact for Non-Motor Vehicle Sales Tax:

	FY2018-19:	FY2019-20:	FY2020-21:	FY2021-22:	FY2022-23:	FY2023-24:
Sales Tax Revenue:	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$97,300,000	\$ 0
Credits and Grants:	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$169,500,000	\$176,100,000
General Fund Impact:	\$ 0	\$ 0	\$ 0	\$ 0	(\$72,200,000)	(\$176,100,000)

Table 3: Distribution of Credits for Motor Vehicle Sales Tax:

	FY2018-19:	FY2019-20:	FY2020-21:	FY2021-22:	FY2022-23:	FY2023-24:
Transportation Infrastructure Bank:	\$4,600,000	\$11,250,000	\$11,650,000	\$12,100,000	\$12,550,000	\$13,000,000
Light Rail Grant Fund:	\$4,600,000	\$11,250,000	\$11,650,000	\$12,100,000	\$12,250,000	\$13,000,000
Total:	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$25,100,000	\$26,000,000

Table 4: Cash Fund Impact for Motor Vehicle Sales Tax:

	FY2018-19:	FY2019-20:	FY2020-21:	FY2021-22:	FY2022-23:	FY2023-24:
Sales Tax Revenue:	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$14,400,000	\$ 0
Credits and Grants:	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$25,100,000	\$26,000,000
Highway Allocation Fund:	\$ 0	\$ 0	\$ 0	\$ 0	(\$4,993,333)	(\$12,133,333)
Highway Cash Fund:	\$ 0	\$ 0	\$ 0	\$ 0	(\$5,706,667)	(\$13,866,667)
Total Impact:	\$ 0	\$ 0	\$ 0	\$ 0	(\$10,700,000)	(\$26,000,000)

The Department of Revenue indicates they will require \$306,574 in one-time costs paid to the Office of the CIO to make changes to NebFile, Forms 1120, 1041N, 941N, W-3N, 1040N, and the change in the sales tax rate. They will also require 1.0 FTE Tax Specialist during the first year to implement the bill. PSL for FY2018-19 would be \$50,500. **Total cost for FY 2018-19 is \$373,774.**

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

The **Department of Economic Development** has provided the following information regarding the fiscal impact of LB 1108:

As drafted, tax credit aspects of the job training and internship provisions of LB 1108 will result in a less business-recruitment oriented program, and require DED to operate as a regulatory agency. As such, DED will require more staffing to collect information and administer a tax program than is currently needed to administer grant programs. Based on DED's understanding of the costs associated with building an operating system by the Office of the CIO, DED expects one-time computer systems development costs of \$1,320,000. Of that cost, \$820,000 for the Yes to Occupational Learning Opportunities Act (YOLO Act) and \$500,000 for the Jobs of Tomorrow Innovation Act (JTI Act). The YOLO Act would require continued Labor Availability and Skills Gap studies to be completed: the funding for these is uncertain at this time, and if not funded elsewhere, the cost would be \$250,000 per year. Based on DED's experience with the Angel Investment Tax Credit and the current intern Nebraska program, it is estimated that the YOLO Act will require 4.0 additional FTE of Economic Development Consultants to administer the job training programs, with 1.0 FTE reassigned due to the termination of the current intern program, and 1.0 FTE Economic Development Manager. The JTI Act will require 1.0 FTE Economic Development Consultant and 1.0 FTE Economic Development Manager. DED will also require 1.0 FTE Attorney II to assist with rules, regulations, and contracts with businesses for the two new programs. The expansion of the Youth Talent Initiative can be accomplished with no additional staff. PSL for FY2018-19 would be \$373,294 and for FY2019-20 it would be \$380,759. **Total cost to the Department to implement the provisions of LB 1108 would be \$1,886,347 for FY2018-19 and \$508,314 for FY2019-20.**

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

The **Department of Motor Vehicles** has indicated they will have some programming costs associated with the change in sales tax rate but can absorb those costs with their existing appropriation.

We have no basis to disagree with the Department of Motor Vehicles estimate of cost.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1108 AM: AGENCY/POLT. SUB: Department of Economic Development

REVIEWED BY: Gary Bush DATE: 01/31/18 PHONE: [\(402\) 471-4161](tel:4024714161)

COMMENTS: Believe fewer positions new positions would be necessary to implement the provisions of the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1108 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Gary Bush DATE: 01/31/18 PHONE: [\(402\) 471-4161](tel:4024714161)

COMMENTS: No basis to disagree with the agency on the impact. The amount of revenue that would be generated by the provisions of the bill appears to be reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1108 AM: AGENCY/POLT. SUB: Department of Education

REVIEWED BY: Gary Bush DATE: 01/31/18 PHONE: [\(402\) 471-4161](tel:4024714161)

COMMENTS: No basis to comment on the impact to the agency as no amount was included in the fiscal note. The Build Nebraska Act generated \$75 million in FY2017 from a quarter percent sales and use tax. Revenue from a half percent of sale and use tax could provide \$150 million in additional tax revenue for the provisions of the bill. Using the department's estimate of \$66 million distributed for job development related purposes, this would leave approximately \$84 million for the School Aid Fund.

The bill would likely impact TEEOSA equalization aid because school districts would have another source of revenue to be included as accountable receipts in the TEEOSA formula calculation.

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2018

LB⁽¹⁾ 1108

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Economic Development

Prepared by: ⁽³⁾ Dave Rippe Date Prepared: ⁽⁴⁾ 1/29/2018 Phone: ⁽⁵⁾ 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	1,886,347		508,314	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>1,886,347</u>		<u>508,314</u>	

Explanation of Estimate:

LB1108 creates the Yes to Occupational Learning Opportunities Act, the Jobs of Tomorrow Innovation Act, changes the School Readiness Tax Credit Act, eliminates the internship program, and extends the Youth Talent Initiative, programs that directly impact operations and programs of the Department of Economic Development. The bill also impacts a number of other programs and increases the state sales and use tax from 5.5 cents to 6 cents between January 1, 2019 and December 31, 2023.

The Yes to Occupational Learning Opportunities Act creates three new tax credits to be administered by the Department of Economic Development. The first is a job training tax credit (just-in-time tax credit). This credit is available to businesses that agree to provide between 40 and 160 hours of job training to at least one employee who will work in a "high needs" occupation, work a minimum of 35 hours for at least six months, and, once trained will receive wages of at least 240% of the federal poverty level, with health benefits or 275% of the poverty level without benefits (\$14.01 or \$16.05 per hour in 2018). The tax credit is the lesser of 75% of the cost of training or \$2,000, if the worker meets certain criteria, or \$1,000 otherwise. The Department of Economic Development is required to annually determine qualified "high needs" jobs for the training grant, defined as a "high-demand, high skilled job in a field that includes, but is not limited to, commerce, innovation, mathematics, science, teaching, and technology." The Department believes that the best way to determine these occupations would be to continue the labor availability, business needs, and skills gap surveys currently conducted by the Nebraska Department of Labor, University of Nebraska, and Department of Economic Development.

The second tax credit administered by the Department of Economic Development is an internship tax credit. Employers of interns who are Pell Grant recipients or qualify for free or reduced-price lunches at the time of application will be eligible for a tax credit equal to the lesser of 75% of the cost of the internship, or \$7,500, otherwise, the credit is the lesser of 75% of the cost of the internship or \$5,000. Internships must pay at least the state minimum wage. This provision replaces the current internship grants in Sections 81-1210.02 and 81-1210.03.

The third tax credit administered under the Yes to Occupational Learning Opportunities Act is the post-training tax credit. This credit is available to employers who plan to hire a student completing an internship or an employee completing job training activities during a calendar year. As drafted, the bill requires that these employees be hired within one month of the end of the internship or training, work a minimum of 40 hours per week for at least one year, and will receive wages of at least 300% of the federal poverty level, with health benefits or 350% of the poverty level without benefits (\$17.51 or \$20.43 per hour in 2018). The tax credit is either \$8,000 or \$10,000 per employee, depending on the status of the employee at the time of training or internship.

LB1108 requires an initial award cycle (January 1 through May 31) for all three tax credits, and requires that annual award limits are equally divided between businesses with 50 or fewer employees and more than 50 employees in each congressional district. Any remaining annual limitations may be awarded on a first-come-first-served basis in a second award cycle. The annual award limits are \$5, \$7.5, and \$10 million for the just-in-time, internship, and post-training tax credits, respectively.

LB1108 creates the Jobs of Tomorrow Innovation Act. The act provides a nonrefundable income tax credit to businesses that form a partnership with a nonprofit, postsecondary institution of higher education operating within the state, for the

purpose of researching and developing the creation of jobs and technology to further Nebraska’s economy. The credit is equal to the expenses incurred by the partnership up to \$1 million. Unused credits may be carried forward to future tax years until they are fully utilized. The Department may approve up to \$31.5 million annually in tax credits.

LB1108 as drafted also creates a fund for the Department of Economic Development and provides for a transfer of up to \$1 million to the Youth Talent Initiative Fund. The Department is to choose up to six industry partners and school districts to participate in the program, annually. One partnership must be in a county with a population less than 100,000.

As drafted, tax credit aspects of the job training and internship provisions of LB1108 will result in a less business-recruitment oriented program, and require the Department of Economic Development to operate as a regulatory agency. As such, the Department will require more staffing to collect information and administer a tax program than is currently needed to administer grant programs. Based on our understanding of the costs associated with building an operating system by the OCIO, we expect one-time computer systems development costs of \$1,320,000, \$820,000 for the Yes to Occupational Learning Opportunities Act, and \$500,000 for the Jobs of Tomorrow Innovation Act. The Yes to Occupational Learning Opportunities Act would require continued Labor Availability and Skills Gap studies to be completed: the funding for these is uncertain at this time, and if not funded elsewhere, the cost would be \$250,000 per year. Based on experience with the Angel Investment Tax Credit and the current Intern Nebraska program, it is estimated that the Yes to Occupational Learning Opportunities Act will require four additional FTE of Economic Development Consultants to administer the job training programs, with one FTE reassigned due to the termination of the current intern program, and one FTE Economic Development Manager. The Jobs of Tomorrow Innovation Act will require one Economic Development Consultant and one Economic Development Manager. The Department will also require one Attorney II to assist with rules, regulations, and contracts with businesses for the two new programs. The expansion of the Youth Talent Initiative can be accomplished with no additional staff.

The operative date for LB1108 is January 1, 2019.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2018-19	2019-20
	18-19	19-20	EXPENDITURES	EXPENDITURES
A49110 Econ Dev Consultant	5.0	5.0	\$217,038	\$221,378
G49550 Econ Dev. Manager	2.0	2.0	102,328	104,374
A31112 Attorney II	1.0	1.0	53,928	55,007
Benefits.....			111,988	114,228
Operating			13,065	13,327
Travel.....				
Capital outlay.....			68,000	
OCIO costs.....			1,320,000	
Capital improvements.....				
TOTAL.....	8.0	8.0	\$1,886,347	\$508,314

LB 1108 creates the post-training tax credit. This credit is available to employers that hire a student who has completed an internship or job training activities during the calendar year. The employer must hire the student for a position that requires a minimum of 40 hours a week for at least one year and must pay the student at an annualized wage that is at least equal to 350% of the federal poverty level for an individual. The credit shall be in the following amounts for each student hired after an internship : 1) if the student was a federal Pell Grant recipient or qualified for free or reduced-priced lunch, the credit will be \$10,000, 2) for all other students, the credit shall be \$8,000. The credit shall be in the following amounts for each employee hired after job training activities end: 1) if the employee was homeless or receiving TANF benefits, a veteran, previously convicted of a felony, a federal Pell Grant recipient, or qualified for free or reduced-priced lunches as a student, the credit will be \$10,000, 2) for all other employees, the credit shall be \$8,000. The credit may be used to reduce the employer's income tax withholding employer or tax liability. The employer must submit an application with DED to receive credits. DED may approve up to \$10 million in post-training credits in any calendar year (Table 1).

DED may recapture any of these credits if it determines the employer violated its agreement under the Act.

LB 1108 enacts the Jobs of Tomorrow Innovation Act. Beginning January 1, 2019, a business that has formed a “partnership” (defined as a contractual agreement between a business and an institution with the purpose of researching and developing the creation of jobs and technology to further Nebraska's economy) may apply to DED for a nonrefundable credit against income tax equal to the expenses incurred by the partnership in researching and developing the creation of jobs and technology not to exceed \$1 million per partnership. Any tax credit claimed but not used in a taxable year may carry forward to subsequent tax years until fully utilized. DED may approve up to \$31.5 million in tax credits per calendar year (Table 1).

Beginning January 1, 2020, LB1108 increases the nonrefundable income tax credits available to child care and education providers and the refundable income tax credits available to eligible staff members under the School Readiness Tax Credit Act. The aggregate amount of credits that can be distributed each year is increased to \$10 million. The bill provides that the credit amounts should be adjusted for inflation. The bill also removes the sunset date for the School Readiness Tax Credit Act (Table 1).

LB 1108 creates the School Aid Fund, which shall be administered by the State Board of Education. It also creates the Light Rail Grant Fund that will be administered by the by the Department of Transportation.

LB 1108 directs DED to create and administer a youth talent initiative (Table 1). DED shall distribute grants as directed by the bill.

LB 1108 establishes the Nebraska Integrated Education and Training Grant Program (Table 1).

LB 1108 increases the sales tax rate to 6% beginning January 1, 2019 and ending on January 1, 2023. On January 1, 2023 the sales tax rate would decrease to 5.5% (Table 2 and Table 4).

One half of one percent of sales tax revenue derived from the sale or lease for periods of more than 30 days of motor vehicles, trailers, and semitrailers shall be credited as follows: 1) one-half to the Transportation Infrastructure Bank Fund, and 2) one-half to the Light Rail Grant Fund (Table 3).

One half of one percent of the sales tax revenue on all other transactions shall be allocated as follows: 1) \$1 million to the Youth Talent Initiative Fund, and 2) the remainder to the School Aid Fund. However, the funding to the Youth Talent Initiative Fund and School Aid Fund shall only be made after first deducting: 1) \$31,500,000 to account for the tax credits authorized in the Jobs of Tomorrow Innovation Act, 2) \$22,500,000 to account for the tax credits authorized in the Yes to Occupational Learning Opportunities Act, 3) \$5 million to account for the increased amount of tax credits authorized in the School Readiness Tax Credit Act, and 4) \$6 million dollars to account for the funding provided to the Nebraska Integrated Educational Training Grant Program.

The sales tax rate increase that funds these new credits ends on January 1, 2023, but the new credits and grant programs created by LB 1108 do not have sunset dates. The bill does not specify where the funding for these credits and grants will come from after 2022. Consequently, beginning in fiscal year 2022/23 LB 1108 will have a General and Cash Fund impact (Table 2 and Table 4).

The distribution of credits and grants and the Cash Fund and General Fund impact from LB 1108 are presented in the tables below. Table 1 shows the distribution of credits and the amount each fund is allocated of the one-half of one percent for non-motor vehicle sales tax. Table 2 shows the total sales tax revenue for the non-motor vehicle portion of the sales tax increase, credits and grants awarded, and the General Fund impact (there is no General Fund impact until the sunset of the additional one-half of one percent sales tax). Table 3 shows the distribution of the one-half of one percent sales tax increase for the motor vehicle portion to the Light Rail Grant Fund and the Transportation Infrastructure Bank. Table 4 shows the total sales tax revenue for the motor vehicle portion of the sales tax increase, the credits and grants awarded, and the Cash Fund impact (there is no impact to the Cash Funds until the sunset of the additional sales tax whereupon the Highway Allocation Fund and Highway Cash Fund would be impacted by the amount of the grants and credits).

Table 1

Table 1: Distribution of Credits and Grants for Non-Motor Vehicle Sales Tax						
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Yes to Occupational Learning Opportunities Act						
Just-In-Time Tax Credit	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Intern Tax Credit	\$0	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Post-Training Tax Credit	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Jobs of Tomorrow Innovation Act						
Partnership Tax Credit	\$0	\$31,500,000	\$31,500,000	\$31,500,000	\$31,500,000	\$31,500,000
School Readiness Tax Credit Act	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Nebraska Integrated Education and Training Grant Program	\$0	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Youth Talent Initiative Fund	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
School Aid Fund	\$61,400,000	\$84,300,000	\$91,000,000	\$97,100,000	\$103,500,000	\$110,100,000
Total	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$169,500,000	\$176,100,000

Table 2

Table 2: General Fund Impact for Non-Motor Vehicle Sales Tax						
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sales Tax Revenue	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$97,300,000	\$ -
Credits and Grants	\$61,400,000	\$150,300,000	\$157,000,000	\$163,100,000	\$169,500,000	\$176,100,000
General Fund Impact	\$ -	\$ -	\$ -	\$ -	(\$72,200,000)	(\$176,100,000)

Table 3

Table 3: Distribution of Credits for Motor Vehicle Sales Tax						
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Transportation Infrastructure Bank	\$4,600,000	\$11,250,000	\$11,650,000	\$12,100,000	\$12,550,000	\$13,000,000
Light Rail Grant Fund	\$4,600,000	\$11,250,000	\$11,650,000	\$12,100,000	\$12,550,000	\$13,000,000
Total	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$25,100,000	\$26,000,000

Table 4

Table 4: Cash Fund Impact for Motor Vehicle Sales Tax						
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sales Tax Revenue	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$14,400,000	\$ -
Credits and Grants	\$9,200,000	\$22,500,000	\$23,300,000	\$24,200,000	\$25,100,000	\$26,000,000
Highway Allocation Fund Impact	\$ -	\$ -	\$ -	\$ -	(\$4,993,333)	(\$12,133,333)
Highway Cash Fund Impact	\$ -	\$ -	\$ -	\$ -	(\$5,706,667)	(\$13,866,667)
Total Cash Fund Impact	\$ -	\$ -	\$ -	\$ -	(\$10,700,000)	(\$26,000,000)

The Department would require \$306,574 in one-time costs paid to the OCIO to make changes to NebFile, Forms 1120, 1041N, 941N, W-3N, 1040N, and the change in the sales tax rate. The Department would require 1.0 FTE Tax Specialist during the first year to implement this bill.

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

2018

LB⁽¹⁾ 1108

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Motor Vehicles

Prepared by: ⁽³⁾ Bart Moore Date Prepared: ⁽⁴⁾ January 25, 2018 Phone: ⁽⁵⁾ (402)471-3902

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	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 1108, section 14, increases the state sales tax rate from 5.5% to 6%. The DMV will have some programming costs associated to accommodate this change, but can be absorbed within existing appropriations.

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.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2018

LB⁽¹⁾ 1108

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/24/18 Phone: ⁽⁵⁾ 402-471-4320

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	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 1108 creates the school aid fund from a half cent of sales and use tax. There are \$66 million dollars to be distributed for job development related purposes (monitored by the Department of Economic Development) as outlined in LB 1108 before the school aid fund receives what is left of the half-cent tax.

The school aid fund is to be distributed based on fall membership for every district in the state, which results in every district receiving the same per student amount. The amount available will be certified to the Department of Education by November 15th each year. The department is to distribute the funds on or before January 1st of each year.

The amount of sales and use tax available for the school aid fund is not known at this time but should be significant. There will be some additional administration costs associated with distributing these funds but it can be handled by current staff.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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