

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$3,315,035	\$0	\$55,200	\$6,445,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$3,315,035</b>	<b>\$0</b>	<b>\$55,200</b>	<b>\$6,445,000</b>

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

LB 919 amends a number of Nebraska statutes dealing with the Nebraska income tax, tax credits, and grants and creates the Student Loan Repayment Tax Credit Act.

The Student Loan Repayment Tax Credit Act would provide an income tax credit or franchise tax credit to employers who make a repayment of principal and interest on a student loan of an employee. The nonrefundable credit is 50% of the student loan repayments made during a calendar year, up to a maximum credit of \$1,800 per qualified employee. An employer may earn credits for a maximum of 20 employees per calendar year.

The employer is to apply to the Department of Revenue between January 1 and March 31. The Department of Revenue is to consider applications in the order in which they are received and may approve up to \$2,000,000 in tax credits in a calendar year. At least 25% of those credit must be awarded to employers with no more than 30 employees and who are located in a city of the first class, second class, or a village in Nebraska.

A qualified employee must be employed by the employer for a minimum of 480 hours in Nebraska; is a graduate or is certified by a post-secondary educational institution; and incurred a student loan while attending a postsecondary educational institution.

No new applications for the Student Loan Repayment Tax Credit will be accepted after December 31, 2023.

The Department of Revenue is required to file a report on the Act with the Governor and the Legislature on or before July 1, 2020 and each year thereafter.

Section 77-2715.07 is amended to change the child and dependent care tax credit for Nebraska income tax purposes to increase the credit amount to 35% of the federal credit allowed and to provide an upper income limit on who may claim the credit. Credit eligibility would be limited to those with incomes between \$29,000 and no more than \$150,000.

Section 77-2912 is amended to change the sunset date of the Nebraska Job Creation and Mainstreet Revitalization Act to January 1, 2019. The current sunset date is December 31, 2022.

Section 81-1204 is amended to provide that the Department of Economic Development may approve up to \$5,000,000 of job training grants each year.

Section 81-1210.02 is amended to provide for an increase in the amount of internship grants available from the Job Training Cash Fund. The new limit would be \$2,000,000, and increase from the current limit of \$1,500,000.

LB 919 inserts new language to create the Nebraska Integrated Education and Training Grant Program. The program is to provide grants to community colleges for the purpose of developing and implementing local programs of integrated education and training, as that is defined by the bill. Grants for up to three years are to be awarded in a competitive process and require matching funds equal to 25% of the total projected cost for the local program.

The Nebraska Community College Student Performance and Occupational Education Grant Committee is to administer the grant program.

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

The bill states it is the intent of the Legislature to appropriate \$3,000,000 to carry out the Nebraska Integrated Education and Training Grant Program.

The bill has an operative date of January 1, 2019.

The Department of Revenue estimates the following fiscal impact of LB 919:

Fiscal Year:	Student Loan Repayment Tax Credit Act:	Child and Dependent Care Tax Credit:	Mainstreet Revitalization Act:	Integrated Education & Training Grant Program:	Total General Fund Impact:
FY2018-19:	\$ 0	\$ 0	\$ 0	\$ 3,000,000	(\$ 3,000,000)
FY2019-20:	(\$ 1,890,000)	(\$ 1,665,000)	\$ 10,000,000	\$ 0	\$ 6,445,000
FY2020-21:	(\$ 1,890,000)	(\$ 1,721,000)	\$ 10,000,000	\$ 0	\$ 6,389,000
FY2021-22:	(\$ 1,890,000)	(\$ 1,779,000)	\$ 10,000,000	\$ 0	\$ 6,331,000

LB 919 will have no impact on job training grants and internship grants allocated from the Job Training Cash Fund since the Department of Economic Development has not spent over the limits as stated in LB 919.

The Department of Revenue has indicated that LB 919 will require a one-time programming charge of \$255,935 paid to the Office of the CIO to add a line to Forms 1040N, 1041N, 1120N, NebFile and to implement a tracking system. They will also require 0.5 FTE Tax Specialist and 0.5 FTE Revenue Operations Clerk II to implement and administer the various provisions of the bill. PSL for FY2018-19 is \$40,700 and for FY2019-20 is \$41,500.

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

The Department of Economic Development indicates that, historically, DED has not expended \$5,000,000 in any fiscal year. Currently, nearly all job funds in the job training fund are either under contract or have been obligated to the proposed projects, so there will be no fiscal impact for the existing job training program or Intern Nebraska. There will be no impact on DED’s operations due to the provisions of LB 919.

We have no basis to disagree with the Department of Economic Development’s estimate of fiscal impact or cost.

The Coordinating Commission for Postsecondary Education indicates that they will require 0.5 FTE Occupational Education Specialist to carry out the provisions of LB 919. The total expenditure for FY2018-19, not including grant funds, is \$63,000 with PSL of \$27,000. For FY2019-20, expenditures are \$63,000 with PSL of \$27,000.

We have no basis to disagree with the Commission’s estimate of cost.

The Nebraska Community College Association indicates that they are unable to estimate fiscal impact to any individual community college as an expenditure would be dependent upon the size and scope of a proposed project.

We agree with the Nebraska Community College Association.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 919	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/7/2018	PHONE: <a href="tel:4024714181">(402) 471-4181</a>
COMMENTS: No basis upon which to disagree with the Department of Revenue’s analysis.		
Technical Note: The bill includes intent language to appropriate \$3 million for the Nebraska Integrated Education and Training Grant Program. Pursuant to statute section 49-804, the phrase “there is hereby appropriated”, a fiscal year, budget program, and fund would need to be specified for a valid appropriation.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 919	AM:	AGENCY/POLT. SUB: Community Colleges	
REVIEWED BY: Lyn Heaton		DATE: 2/5/2018	PHONE: <a href="tel:(402)471-4181">(402) 471-4181</a>
COMMENTS: Based on the provisions in the bill, at least \$2,550,000 would be granted to community colleges beginning as early as FY 2018-19, if appropriations are provided by the Legislature for the Nebraska Integrated Education and Training Grant Program.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 919	AM:	AGENCY/POLT. SUB: Dept. of Economic Development	
REVIEWED BY: Lyn Heaton		DATE: 2/5/2018	PHONE: <a href="tel:(402)471-4181">(402) 471-4181</a>
COMMENTS: No basis upon which to disagree with the Department of Economic Development's analysis. While no new transfers to the fund are provided in the bill, additional expenditures would occur if the intent of the bill is to provide additional funds for the Job Training Cash Fund.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 919	AM:	AGENCY/POLT. SUB: Coord. Comm. for Postsecondary Education (CCPE)	
REVIEWED BY: Lyn Heaton		DATE: 2/5/2018	PHONE: <a href="tel:(402)471-4181">(402) 471-4181</a>
COMMENTS: LB 919 includes language stating the Legislature's intent to appropriate \$3 million to carry out the Nebraska Integrated Education and Training Grant Program. Up to 15% of the appropriation may be retained by the Commission for administration. No fund type or duration is stated in the bill but it is assumed the appropriation would be a one-time appropriation of General Funds. Given those assumptions, the Commission's analysis appears reasonable.			
Technical Note: The funds retained by the Commission for administration would need to be authorized for reappropriation if they are to be used over the four fiscal year period estimated by the Commission.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 2/6/2018	
Approved by: Tony Fulton		Date Prepared: 2/6/2018	
		Phone: 471-5896	
	<b>FY 2018-2019</b>	<b>FY 2019-2020</b>	<b>FY 2020-2021</b>
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>
	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$3,315,035	\$55,200	\$6,445,000
Cash Funds			
Federal Funds			
Other Funds			
Total Funds	\$3,315,035	\$55,200	\$6,445,000
		\$56,100	\$6,389,000

LB 919 adopts the Student Loan Repayment Tax Credit Act (Act). The Act would provide a nonrefundable credit which can be used against income tax or franchise tax by employers who make student loan repayments for qualified employees. The credit shall be equal to 50% of the student loan repayments “to be made during the calendar year” by the employer up to a maximum credit of \$1800 per qualified employee. An employer may earn credits for up to 20 qualified employees per year.

The Act defines employer as either an individual or a business entity and includes business trusts, legal representatives, and associations. Qualified employee is defined as an individual who: “1) is employed by the employer for at least 480 hours in Nebraska during the calendar year in which the student loan repayment is made, 2) graduated or earned a certification from an accredited 2 or 4 year postsecondary educational institution, and 3) incurred a student loan while attending the postsecondary educational institution.”

Employers wishing to participate in the program must submit an application to the Department. The Department may approve applications for up to \$2 million in credits in any calendar year. At least 25% of the credits approved in any calendar year must be awarded to employers that have no more than 30 employees or that are located in a city of the first class, a city of the second class, or a village in this state.

Any tax credit claimed but not used in a taxable year may be carried forward to subsequent taxable years until fully utilized.

Any employer that claims a tax credit shall add back to its federal AGI or federal taxable income any amounts deducted under the IRC for student loan repayments for which the employer is claiming a credit under the Act.

If the Department determines that an employer failed to make the student loan repayments for which it received credits under the Act or failed to add back the federal deduction to its federal AGI or taxable income, the Department shall recapture all or a portion of the tax credits claimed. Recapture “shall be allowed for a period of three years after the end of the taxable years in which the credits were claimed.”

The Act requires the Department to submit an annual report to the Governor and Legislature starting in 2020. The Act sunsets December 31, 2023.

2) LB 919 also amends the child and dependent care tax credit in § 77-2730(2)(a). The bill provides for a nonrefundable credit equal to 35% of the federal credit for returns reporting federal AGI greater than \$29,000 but no greater than \$150,000.

3) LB 919 provides that no new applications may be filed for the Nebraska Job Creation and Mainstreet Revitalization Act beginning January 1, 2019.

4) LB 919 limits the amount of job training grants that the Department of Economic Development may approve each year to \$5 million.

5) LB 919 limits the amount of grants that the Department of Economic Development can allocate from the Job Training Cash Fund for internship grants to \$2 million in any fiscal year.



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

2018

LB<sup>(1)</sup> 919

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Community College Association

Prepared by: <sup>(3)</sup> Greg Adams Date Prepared: <sup>(4)</sup> 1/11/2018 Phone: <sup>(5)</sup> 402-471-4685

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:

It is difficult to estimate the general fund expense to an individual community college under the Nebraska Integrated Education and Training Grant Program portions of LB 919. An expenditure would be dependent upon the size and scope of a proposed project.

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.....	_____	_____	_____	_____

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

**2018**

**LB<sup>(1)</sup> 919**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Economic Development

Prepared by: <sup>(3)</sup> Dave Rippe Date Prepared: <sup>(4)</sup> 1/17/18 Phone: <sup>(5)</sup> 471-3777

**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	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB 919 primarily adopts the Student Loan Repayment Act and creates the Nebraska Integrated Education and Training Grant Program. The bill also changes provisions relating to the child and dependent care tax credit; provides adjustments to job training and internship grants; and provides a sunset date for the Nebraska Job Creation and Mainstreet Revitalization Act.

LB919 adopts the Student Loan Repayment Tax Credit Act, which allows employers to claim a tax credit equal to 50 percent of the student loan repayments of qualified employees. Employers can claim the tax credit on their tax return for taxable years after January 1, 2019. The program sunsets to applications after December 31, 2023. Additionally, the bill changes the sunset date of for the Nebraska Job Creation and Mainstreet Revitalization Act from December 31, 2022 to 2019.

LB 919, limits the Department of Economic Development to \$5 million in awarded job training grants each year, and it increases the allocation amount for the Intern Nebraska from \$1.5 to 2.0 million per year.

Last, the bill creates the Nebraska Integrated Education and Training Grant program, which will provide grants to community colleges for the purpose of developing and implementing local programs integrating education and training.

Historically, the Department has not expended \$5 million in any fiscal year. Currently, nearly all funds in the job training fund are either under contract or have been obligated to proposed projects, so there will be no fiscal impact for the existing job training program or Intern Nebraska due to the provisions of LB 919. There will be no impact on the Department of Economic Development's operations due to the provisions of LB 919.

**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.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>

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

**2018**

**LB<sup>(1)</sup> 919**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Coordinating Commission for Postsecondary Education

Prepared by: <sup>(3)</sup> Gary Timm Date Prepared: <sup>(4)</sup> 01/10/18 Phone: <sup>(5)</sup> 402-471-0020

**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	\$2,811,000		\$63,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>\$2,811,000</u>		<u>\$63,000</u>	

**Explanation of Estimate:**

LB 919 creates the Nebraska Integrated Education and Training Grant Program, which will fund up to three-year grants to community colleges to develop and implement programs that provide adult education and literacy activities with specific occupational workforce training. Grant funds awarded must include local matching funds of at least 25%. Intent language identifies \$3 million in General funds to carry out this program, with up to 15% being retained by the commission for administration. It is assumed all grants would be awarded in 2018-19 and administration costs would be incurred of \$63,000 per year for four years.

Sec. 18 through 21 require the Nebraska Community College Student Performance and Occupational Education Grant Committee to coordinate oversight, evaluation, and reporting efforts for the program. As chair of the committee and administrator of the program, these duties will most likely fall to the commission, which will report the results to the committee. These additional responsibilities would include reviewing grant applications, evaluating grant programs, monitoring match requirements, and providing technical assistance to the community colleges. The commission estimates a .50 FTE position will be required to perform the oversight, evaluation, and reporting efforts for the program.

Also included in the commission's cost estimate is \$20,000 in operating costs for use in contracting with experts in the field to provide technical assistance to the community colleges. This training could include seminars with program experts from states and colleges with previous experience implementing similar programs.

**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>
Occupational Education Specialist	.50	.50	\$27,000	\$27,000
Benefits.....			\$16,000	\$16,000
Operating.....			\$20,000	\$20,000
Travel.....				
Capital outlay.....				
Aid.....			\$2,748,000	
Capital improvements.....				
<b>TOTAL.....</b>			<u>\$2,811,000</u>	<u>\$63,000</u>