

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$143,500	(\$10,000,000)	\$45,000	(\$12,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$143,500	(\$10,000,000)	\$45,000	(\$12,000,000)

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

LB 14 creates the Elementary and Secondary Educational Opportunity Act.

The bill provides for nonrefundable income tax credits for contributions to a scholarship-granting organization (SGO) that provides scholarships to students attending a nongovernmental, privately operated school in Nebraska. The same basic credits would be available to individuals (resident and non-resident), pass-through entities, estates or trusts, and corporations. The SGO is required to be a 501(c)(3) tax exempt organization, must have programs to grant scholarships to eligible students, will offer one or more scholarships, will allocate at least ninety-five percent of its annual revenue for scholarships, will provide scholarships without limiting the scholarships to students of only one qualified school, and is certified by the Tax Commissioner as a SGO.

The credit against Nebraska income tax is 60 percent of the total contributions made during the tax year. The tax credit allowed shall not exceed a taxpayer's income tax liability for the tax year; however, any amount over the limitation that would otherwise qualify may be carried forward for up to five years following the original tax year.

The bill limits scholarships to eligible students who are residents of Nebraska whose household gross income for the most recent calendar year does not exceed three times the income standard used to qualify for free or reduced price lunch under 42 U.S.C. 1751, and who is or may be a full-time student in any grades kindergarten through twelve at a qualified school. The bill provides that eligible students need to meet the income standard upon receiving the first-time scholarship and then continue to be eligible regardless of household income. A first-time scholarship is available to students entering kindergarten or ninth grade at a qualified school or are transferring to a qualified school and entering any grade. For example:

- ❖ For a household of two, using the reduced lunch eligibility standard for grades K-12, the maximum household income limit would be \$83,973.
- ❖ For a household of four, using the reduced lunch eligibility standard for grades K-12, the maximum household income limit would be \$127,929.

Because the bill states that the standard to be used for determining income eligibility is the free lunch OR the reduced price lunch standard, the Department of Revenue would have to use the higher reduced price lunch standard.

The bill requires the taxpayer to notify the SGO of their intent to donate and the amount of the contribution. The SGO shall then request preapproval from the Department of Revenue for the tax credit granted by LB 14. The Department of Revenue is to notify the SGO within 30 days of its determination regarding the credit. The SGO then notifies the taxpayer. The taxpayer then has 30 days to make the contribution in order to qualify for the credit. The credit will not be allowed if the taxpayer designates all or part of the contribution to the organization for the direct benefit of a specific student.

The amount of the individual contribution is not limited but the bill does provide for a cap on the total amount of credits that may be granted each year. The aggregate amount of the tax credit is capped as follows:

- 2013: \$10,000,000
- 2014: \$12,000,000
- 2015: \$14,000,000
- 2016: \$16,000,000
- 2017: \$18,000,000
- 2018: \$20,000,000
- 2019: and each year thereafter the limit is adjusted for inflation

Once the preapproved credits have reached the designated limit for a calendar year, no additional credits shall be approved. Requests for credits are to be considered in the order in which they are received.

The Department of Revenue is given rule and regulation authority.

The bill becomes operative for tax years beginning January 1, 2013; contains the emergency clause; and also contains the severability clause.

The Department of Revenue estimates that, based on the size of the credit and the potential pool of eligible students, the tax credit cap will be reached each year.

To implement the provisions of LB 14, the Department indicates it will require a one-time programming charge of \$91,000 paid to the Office of the CIO to add lines to the Form 1040N, corporation income tax return, and fiduciary income tax returns, as well as to the NebFile system. Department costs will include 1.0 FTE to process and approve certifications, to track and preapprove credits, and to process and audit returns. The cost estimate includes PSL of \$33,100 for FY2013-14 and \$33,800 for FY2014-15.

The Department of Education indicates no fiscal impact to the Department as a result of LB 14.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 14	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/19/2013	PHONE: 402.471.4181
COMMENTS: No basis upon which to disagree with the Dept. of Revenue's analysis. The department's estimate of the operational cost to implement the bill appears reasonable.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 14	AM:	AGENCY/POLT. SUB: Dept. of Education
REVIEWED BY: Lyn Heaton	DATE: 1/23/2013	PHONE: 402.471.4181
COMMENTS: Concur. No fiscal impact to the Dept. of Education.		

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

2013

LB⁽¹⁾ 14 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) NDE/School Finance & Organization Services

Prepared by: (3) Lange, Bergquist Date Prepared: (4) 1-15-2013 Phone: (5) 1-0526

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This bill would create the Elementary and Secondary Education Opportunity Act. The Act creates nonrefundable income tax credits for contributions to a scholarship-granting organization (SGO) that provides scholarships to students attending a private school in Nebraska. The same basic credits would be available to individuals (resident and non-resident), pass-through entities, estates or trusts, and corporations. The Tax Commissioner (Department of Revenue) shall adopt and promulgate rules and regulations to carry out this Act.

The bill would provide scholarship monies to students of limited means to attend privately operated schools in Nebraska. The bill limits scholarships to full-time students in grades kindergarten through twelve who are residents of Nebraska and whose household gross income for the most recent calendar year does not exceed three times the income standard used to qualify for free or reduced price lunch under the U.S. Code.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-2014</u>	<u>2014-2015</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Fiscal Impact:

To the State of Nebraska: The fiscal impact to the State of Nebraska will be determined by the dollar amount of the tax credit for organizations and individuals. The Department of Education cannot estimate this fiscal impact.

To NDE: There would be no fiscal impact to NDE.

To Political Subdivisions: Unknown by the Department of Education at this time.