Sandy Sostad March 06, 2015 471-0054

LB 645

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES REVENUE		EXPENDITURES	REVENUE			
GENERAL FUNDS	\$118,918		\$25,143	(\$300,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$118,918		\$25,143	(\$300,000)			

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

LB 645 is the Early Childhood Workforce Development Opportunity Act. The act goes into effect on January 1, 2016. It provides for charitable organizations to apply to the State Department of Education (NDE) to become qualified granting organizations for tax credits. Individuals, partnerships, limited liability companies, estates, trusts, and corporations are eligible for nonrefundable and nontransferable tax credits for cash contributions to qualified granting organizations. The credit shall be 20% of the total contributions made in a tax year.

After a taxpayer notifies the qualified granting organization of the intent to make a contribution, the organization is to request preapproval for a tax credit allowed under the act from the Department of Revenue. The Department of Revenue is to consider requests for tax credits in the order in which they are received and preapprove credits up to the limits provided in the bill. The aggregate amount of preapproved credits shall not exceed \$300,000 for CY2016, \$500,000 for CY2017, \$750,000 for CY2018 and \$1 million for CY2019 and thereafter.

Qualified charitable granting organizations must allocate at least 95% of the contributions for the early childhood education and retention incentive grant program. Up to 5% of contributions may be used for administrative costs. Organizations must submit an audited financial information report annually to NDE.

Persons eligible for incentive grants are employees of early childhood care and education programs that are participating in the Step Up to Quality Child Care Act at a quality rating scale of step two or higher and are serving at least 30% of its total enrolled children through the federal child care assistance program. Grants are to reward higher educational attainment in the field of early childhood education and to increase retention of teachers and professionals in early childhood care and education programs through increased compensation.

<u>NDE Expenses</u>: It is assumed that NDE can handle any workload increase and expenses associated with adopting a rule and regulation for the act with existing staff and resources.

Department of Revenue Expenses: The Department of Revenue will have one-time expenses of \$94,365 for computer programming to change income tax forms and the online filing system. An additional .5 FTE Fiscal Compliance Analyst will be required to validate the credits claimed per the bill. The estimated general fund cost for the analyst is \$24,553 in FY16 and \$25,143 in FY17.

Tax Credits: The maximum tax credits that may be awarded are \$300,000 for CY2016, \$500,000 for CY2017, \$750,000 for CY2018 and \$1 million for CY2019 and thereafter. Assuming the maximum amounts are awarded as provided by the bill, revenue for the general fund will decrease by \$300,000 in FY17, \$500,000 in FY18, \$700,000 in FY19, and \$1 million each year thereafter.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB:645	AM:	AGENCY/POLT. Department of Education				
REVIEWED BY: Ja	mes Van Bruggen		DATE: 3/9/2015	PHONE: 471-4179		
COMMENTS: Department of Education's assessment appears reasonable.						

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 645				FISCAL NOTE	
State Agency OR Political	Subdivision Name: (2)	Nebraska Dept.	of Education		
Prepared by: ⁽³⁾ Melc	ody Hobson	_ Date Prepared: ⁽⁴⁾	1/27/15 Phone: ⁽⁵⁾	402-471-0263	
	ESTIMATE PROVIDE	<u>D BY STATE AGENC</u>	Y OR POLITICAL SUBDIVISIO	ON	
	FY 201		FY 2016	6-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS	\$16,501	0	0	0	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	\$16 501				

Explanation of Estimate: The estimate of cost to NDE is calculated for the cost of promulgating a rule for this program. The cost is estimated at 10% of the time of an Education Specialist II. Other costs include bringing in a work committee for one day of focused work drafting the rule (\$3,330), and for two staff persons to conduct a total of 10 input sessions across the state on the proposed rule (\$4,440). Other costs include the cost of the publication of the hearing notice (\$700), and printing costs of the rule (\$23). Costs were calculated using NDE Fiscal Note Costing Guidelines. No expenditures are anticipated in fiscal year 2016-17.

No costs are anticipated for political subdivisions.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE						
Personal Services:						
	NUMBER OF POSITIONS		2015-16	2016-17		
POSITION TITLE	<u>15-16</u>	<u>16-17</u>	EXPENDITURES	EXPENDITURES		
Education Specialist II	.10fte		5,754			
Benefits	•		2,254			
Operating			723			
Travel			7,770			
Capital outlay						
Aid						
Capital improvements						
TOTAL			16,501			

2015

Fiscal Note LB 645 2015 **State Agency Estimate** 03/09/2015 State Agency Name: Department of Revenue Date Due LFA: 03/09/2015 Date Prepared: Phone: 471-5896 Approved by: Len Sloup FY 2016-2017 FY 2015-2016 FY 2017-2018 Expenditures Revenue Expenditures Revenue Expenditures Revenue \$118,918 \$25,746 \$(500,000) General Funds \$0 \$25,143 \$(300,000) Cash Funds Federal Funds Other Funds \$0 \$25,143 \$25,746 Total Funds \$118,918 \$(300,000) \$(500,000)

LB 645 (Early Childhood Workforce Development Opportunity Act) provides a nonrefundable income tax credit on 20% of the cash contributions (or 10% each for married taxpayers, filing separately) to qualified granting organizations. The aggregate amount of the credits may not exceed \$300,000 in 2016, \$500,000 in 2017, \$750,000 in 2018, and \$1,000,000 in 2019 and later years.

Taxpayers must seek preapproval of a contribution to a qualified granting organization from the Department of Revenue before the taxpayer makes a contribution to the qualified granting organization. The Department must approve or deny the request within 30 days of the request by the taxpayer. The taxpayer must make the contribution to the qualified granting organization within 30 days of the preapproval by the Department of Revenue or the allocation is revoked (and may be reallocated). The qualified granting organization must provide a receipt to the taxpayer to validate the contribution. If the credits requested exceed the amount available, the credits must be prorated on the day such requests are received by the Department of Revenue.

A qualified granting organization is defined as a charitable organization located in this state, which is exempt from federal income tax, and is certified by the State Department of Education to provide tax-credit supported early childhood education, and retention incentive grants to eligible recipients. LB 645 establishes criteria the Department of Education will use to determine the eligibility of a granting organization under the Act. The Department of Education must certify a list of qualified granting organizations to the Department of Revenue.

The Department estimates the reduction to the General Fund revenues as follows:

FY 2015-2016	\$ 0
FY 2016-2017	\$ 300,000
FY 2017-2018	\$ 500,000
FY 2018-2019	\$ 750,000

Major Objects of Expenditure							
Class Cade		15-16 ETE	16-17 ETE	17-18 ETE	15-16 Farman diterrate	16-17	17-18
Class Code	Classification Title	<u>FTE</u> 0.5	<u>FTE</u> 0.5	<u>FTE</u> 0.5	Expenditures \$18.461	Expenditures	Expenditures
A21211	Fiscal Compliance Analyst	0.5	0.5	0.5	\$18,461	\$18,904	\$19,358
Benefits					\$6,092	\$6,239	\$6,388
Operating Costs				\$94,365	\$0	\$0	
Capital Outlay							
	ents						
Total					\$118,918	\$25,143	\$25,746

LB 645 would require a one-time programming charge of \$94,365 paid to the OCIO to add lines to Form 1040N, Form 1041N, Form 1120N, Form 3800N, and Form K1N as well as to the NebFile online filing system. The Department would require 0.5 FTE Fiscal Compliance Analyst to validate the credits claimed under this bill.