PREPARED BY: DATE PREPARED: PHONE: Sandy Sostad February 26, 2015 471-0054

**LB 438** 

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	\$12,650	(\$4,790,000)		(\$12,632,000)				
CASH FUNDS		\$4,790,000		\$12,632,000				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$12,650	0		0				

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

LB 438 provides for 10% of the proceeds of the sales and use taxes derived from transactions occurring after January 1, 2016 from online purchases to be credited to the Excellence in Education Trust Fund. This excludes proceeds credited to the Highway Trust Fund, State Highway Capital Improvement Fund and Highway Allocation Fund.

The Excellence in Education Trust Fund is created in the bill to provide a dedicated source of revenue to stabilize the total amount of state aid to schools under the Tax Equity and Educational Opportunities Support Act (TEEOSA) and to develop innovative educational grant programs for primary and secondary public schools. LB 438 provides for the Legislature to transfer funds from the Excellence in Education Trust Fund to fund TEEOSA aid whenever the Legislature determines it is necessary to provide additional funding for TEEOSA.

Revenues: The Department of Revenue projects a loss of revenue to the General Fund of \$4,760,000 in FY16, \$12,632,000 in FY17, \$13,901,000 in FY18 and \$15,245,000 assuming sales taxes are collected for online sales. The Excellence in Education Trust Fund will have increased revenue of a like amount. It is unknown when the funds will be expended by the Legislature for TEEOSA aid and to what extent trust funds will be used to offset future general fund requirements for TEEOSA aid. It is also unknown how much will be expended to develop innovative educational grant programs and the process for awarding grants.

<u>Expenditures</u>: The Department of Revenue will have one-time computer programming expenses of \$12,650 of general funds in FY16 related to changes in programming for the mainframe, web development, and programming to allow retailers to report online sales tax collections separately from other sales.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 438	AM:	AGENCY/POLT. SUB: Dept. of Revenue				
REVIEWED BY: Lyn Heaton			DATE: 3/5/2015		PHONE: 471-4181	
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COMMENTS: No basis upon which to disagree with the Department of Revenue's estimate of General Fund revenue the bill earmarks to be credited to the new Excellence in Education Trust Fund.

Technical Note: Pursuant to established fund definitions within the State's system of budgeting and accounting, the Excellence in Education Fund as designated for use within the bill would likely be classified as a cash fund. Further, the bill authorizes transfers to be made from the Excellence in Education Fund to the Tax Equity and Educational Opportunities Fund when directed by the Legislature. Since appropriations for TEEOSA are made from the General Fund, this is in essence authorizing transfers back to the General Fund.

State Agency Estimate								
State Agency Name: Departmen	t of Revenue				Date Due LFA:	3/04/2015		
Approved by: Len Sloup		Date Prepared:	3/4/2015		Phone: 471-5896			
	FY 2015-2016		FY 2016-2017		FY 2017-2018			
	Expenditures	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue		
General Funds	\$12,650	\$4,790,000		\$12,632,000		\$13,901,000		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$12,650	\$4,790,000		\$12,632,000		\$13,901,000		
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LB 438 credits 10% of the proceeds of the sales and use taxes derived from online purchases occurring on or after January 1, 2016, to the new Excellence in Education Trust Fund (Fund). The Tax Commissioner must determine the amount of sales and use taxes derived from online purchases and certify the amount to the State Treasurer.

The Legislature may authorize transfers from the Fund to the Tax Equity and Educational Opportunities Fund, which will be distributed in accordance with the Tax Equity and Education Opportunities Support Act.

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

FY2015-2016	\$ 4,790,000
FY2016-2017	\$ 12,632,000
FY2017-2018	\$ 13,901,000
FY2018-2019	\$ 15,245,000

LB 438 will require a one-time programming charge of \$12,650 for mainframe programming changes as well as web programming costs for the FebFile online filing system.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
Benefits							
Operating Costs.					\$12,650		
Travel							
Capital Outlay							
Aid							
Capital Improvements.							
Total				\$12,650			