

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	305,333	See below	105,340	See below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	305,333	See below	105,340	See below

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

LB 714 would establish the Nebraska Industrial New-Job Training Act. The Department of Economic Development (DED) would accept and review applications from businesses to carry out job training projects in conjunction with community colleges. DED would be required to ascertain if the project met the criteria established in LB 714, and if so, to enter into an agreement with the business. The Department of Revenue would be notified of approved projects. New job withholding payments would be based upon the employee rate of pay, and 1.5 to 3 percent of gross wages would be paid to the community colleges to finance training expenses. Community colleges would be required to deposit new job withholding payments into a special fund, to be used only for the training project. Employers and the community colleges would certify to the Department of Revenue the amount of new job withholding payments made and received.

The fiscal impact of LB 714 would include:

Department of Economic Development expenses – DED estimates that one staff position and associated operating costs would be required to accept, review and approve applications and to develop agreements with employers. DED is also required to issue an annual report summarizing activities carried out under the provisions of the act. Because DED is currently not required to carry out extensive reviews of job training project applications, there is no basis to disagree with the agency estimate of \$86,330 General Funds in FY19-20 and \$105,340 General Funds in FY20-21. Based upon information provided by the Department of Revenue regarding the number of approved projects for a similar program in Iowa, it is possible that DED could process over 50 applications per year.

Department of Revenue expenses – The Department of Revenue would incur costs to develop a system to track and verify the amount of new job withholding payments that were made to community colleges as a result of approved agreements with DED. The agency estimates a one-time cost of \$219,003 General Funds in FY19-20 to set up the tracking system. Ongoing costs, including the development of an annual report, could be carried out by existing staff.

General Fund revenue impact – The Department of Revenue estimate is based upon information from a similar program in Iowa, modified to reflect the relative employment population of Nebraska companies who are likely to engage in agreements. Based upon these assumptions, the amount of new job withholding payments could total \$10,000,000 and grow to be as high as \$27,000,000

The Department of Revenue estimate does not appear to include the potential impact of the creation of new jobs upon the net withholding tax payments made to the state. Information from a report completed in 2012 by the Iowa Department of Revenue stated the following:

“Based on data from Iowa Workforce Development, total individual income tax revenues attributed to new jobs between CY 2007 and CY 2011 were estimated to be \$11.7 million. The net fiscal gain to the state is \$5.8 million after offsetting tax credit claims, assuming all the new jobs would not have been created without the Targeted Jobs Program.” (Source: “Iowa’s Targeted Jobs Withholding Tax Credit Evaluation Study.”)

Based upon information from Iowa, it is estimated that the creation of new jobs may result in a net increase in General Fund revenue over the life of the program.

Community College impact – Job training projects undertaken as a result of LB 714 would result in additional revenue and expenditures within the community college system. Assuming that new job withholding payments would finance the entire cost of the

training programs, training expenses would be offset by additional revenue. There would be some administrative expenses to individual community colleges to establish dedicated funds and to report to the Department of Revenue the amount of new job withholding payments received.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 714	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 3/12/2019	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 714 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 714	AM:	AGENCY/POLT. SUB: Nebraska Community College Association
REVIEWED BY: Neil Sullivan	DATE: 1/29/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Community College Association estimate of indeterminate fiscal impact from LB 714.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 714	AM:	AGENCY/POLT. SUB: Metropolitan Community College
REVIEWED BY: Neil Sullivan	DATE: 2/14/2019	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Metropolitan Community College estimate of no fiscal impact from LB 714.		

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

2019

LB⁽¹⁾ 714

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Rippe Date Prepared: ⁽⁴⁾ 2/4/2019 Phone: ⁽⁵⁾ 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$86,330		\$105,340	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$86,330		\$105,340	

Explanation of Estimate:

LB714 creates the Nebraska Industrial New Job-training Act and new duties for the Department of Economic Development (DED). Under the act, business may enter into a training arrangement with a community college to provide job training, education, or other professional services. Employers interested in developing training programs under the LB714, as drafted, would apply to DED for approval. Approval is based on proposed post-training wages, whether the project provides "industry-approved training," and whether the proposed project complies with provisions of the act, including whether the business is engaged in qualifying activities.

If an application for a project is approved, community colleges will report agreements signed with businesses to DED, and the Department of Revenue (NDR), and both agencies are required to file annual reports with the Legislature's Revenue Committee. The DED report would contain information on the approved projects, including the number of community colleges, employers, number of degrees or certificates awarded, the number of employees entering and completing training, pre- and post-training wages and benefits, the number of full and part-time employees resulting from a project, and the one-year retention rates of employer.

DED estimates that the department will require one FTE Economic Development Manager. The program outlined in LB 714 will require much more oversight than the current program, including qualified business, training, and reporting. Additional staffing requirements will become available as the current job training program winds down over the next two to three years.

Note that LB714, as drafted, requires reporting by Standard Industrial Classification Codes (SIC), which has been replaced by the North American Industrial Classification System (NAICS).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ. Dev. Manager	.75	1.0	\$48,450	\$65,890
Benefits.....			19,380	26,360
Operating.....			5,000	6,500
Travel.....			5,000	6,590
Capital outlay.....			8,500	0
Aid.....				
Capital improvements.....				
TOTAL.....			\$86,330	\$105,340

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 3/12/19			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 3/8/19					
<u>FY 2019-2020</u>		<u>FY 2020-2021</u>		<u>FY 2021-2022</u>	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$219,003 (\$10,690,000)	\$0 (\$27,020,000)	\$0 (\$27,210,000)		
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$219,003 (\$10,690,000)	\$0 (\$27,020,000)	\$0 (\$27,210,000)		

LB 714 adopts the Nebraska Industrial New Job-training Act. It allows a community college and employer to develop a job training project (project). Each project must be approved by the Department of Economic Development. The community college must notify the Department of Revenue of each agreement. The Department of Revenue must develop a system to track agreements.

Employer is defined as a business engaged in manufacturing, processing, or assembling products, conducting research and development, operating e-fulfillment centers, or providing services. The definition of employer excludes business engaged in retail, health, or professional services or any business which eliminates or substantially reduces their operation in another area of the state.

Under the agreement, the community college provides job training programs to employees of the employer in exchange for new job withholding payments. The amount of the new job withholding payments is based on the wages paid to employees in the new jobs. New jobs are those created by the employer as a result of the project. The new job withholding payments are part of the amounts withheld from the employees' wages for state income taxes. The new withholding payments equal: 1.5% of the gross wages paid to new employees, who are paid less than 200% of the Nebraska average wage, or 3% of the gross wages paid to employees, who are earning more than 200% of the Nebraska average wage.

The employer must remit the amount of the new job withholding payments quarterly directly to the community college to finance the project. If the amount of the new job withholding payments made by the employer is more than the income tax withholding actually owed by the employer, then the employer receives a credit against other withholding taxes due from the employer equal to the amount of the difference.

Both the employer and the Community College are to provide information to the Department of Revenue as to the amount of the new job withholding payments. An employee in a new job receives full credit for all income tax withholding due from the employer for the amount of any new job withholding payments made to community colleges.

The Department of Revenue must submit an annual report on the activity under the Act.

Iowa has a program similar to LB 714. The Department based its estimate on data from the Iowa Industrial New Jobs Training program. In fiscal year 2017, Iowa’s program resulted in 101 training agreements and 4,848 pledged new jobs with roughly \$35.6 million in claimed withholding. Nebraska expects roughly 66% of the participation of Iowa’s program in the beginning years of the program based on the relative employment population of companies who are likely to engage in agreements. The Department estimates the total reduction to General Fund revenues as follows:

FY 2019-2020	\$10,690,000
FY 2020-2021	\$27,020,000
FY 2021-2022	\$27,210,000

LB 714 will require a one-time programming charge of \$219,003 paid to the OCIO for mainframe and web development changes as well as develop a tracking system. The Department can implement this bill with existing staff.

Major Objects of Expenditure							
<u>Class Code</u>	<u>Classification Title</u>	<u>19-20 FTE</u>	<u>20-21 FTE</u>	<u>21-22 FTE</u>	<u>19-20 Expenditures</u>	<u>20-21 Expenditures</u>	<u>21-22 Expenditures</u>
	Benefits.....				\$0	\$0	\$0
	Operating Costs.....				\$219,003		
	Travel.....						
	Capital Outlay.....				\$0	\$0	\$0
	Capital Improvements.....						
	Total.....				\$219,003	\$0	\$0

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

2019

LB⁽¹⁾ 714

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Community College Association

Prepared by: ⁽³⁾ Greg Adams Date Prepared: ⁽⁴⁾ 1/28/2019 Phone: ⁽⁵⁾ 4024714685

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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 develop an expenditure estimate for LB 714. The intent of the bill is to compensate community colleges for job training, in part or whole. There may be a new additional expenditure if new curriculum needs to be developed or if new equipment needs to be purchased to complete the training. There may also be some administrative cost. However, without knowing the new training need of an employer and how much employer withholding would cover of the cost, the colleges can't estimate a cost to implement LB 714.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20 EXPENDITURES</u>	<u>2020-21 EXPENDITURES</u>
	<u>19-20</u>	<u>20-21</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 714

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Metropolitan Community College

Prepared by: ⁽³⁾ David Koebel Date Prepared: ⁽⁴⁾ 1/23/2019 Phone: ⁽⁵⁾ 531-622-2391

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	0	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____