PREPARED BY: DATE PREPARED: PHONE: Scott Danigole March 01, 2021 471-0055

LB 681

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2021-22							
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	\$35,900	(\$2,441,000)		(\$5,209,000)				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$35,900	(\$2,441,000)		(\$5,209,000)				

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

LB 681 changes provisions related to the Nebraska Educational Savings Plan.

Section 6 allows for benefits to be paid for a qualified individual for costs associated with elementary, secondary, or eligible postsecondary educational institutions. Prior to this change, benefits were only available for higher education expenses.

The Department of Revenue estimates a cost of \$35,900 to hire a part-time Tax Specialist to publish guidance, answer questions, and administer the changes brought in LB 681. This is a cost only associated with fiscal year 2022 and appears to be reasonable.

The Department of Revenue also estimates the programmatic changes in LB 681 will result in greater participation in the plan. Due to the deductibility of contributions, the estimated General Fund revenue loss is (\$2,441,000) for the six months of fiscal year 2022 that are covered and (\$5,209,000) for fiscal year 2023. As program awareness increases, so too will the potential for General Fund revenue loss due to deductions. There is no basis to disagree with these estimates.

	ADMINISTRA	ATIVE SERVICE	S STATE BUDGET DIVISION:	REVIEW OF AGENC	CY & POLT. SUB. RESPONSE
LB:	681	AM:	AGENCY/POLT. SUB:	Department of Reven	nue
RE	VIEWED BY:	Gary Bush	DATE:	3/2/21	PHONE: (402) 471-4161
	MMENTS: No be reasonable.	•	e with the agency's estimate of	the impact of the bill.	. The assumptions used appears

	ADMINISTRA	ATIVE SERVICES	S STATE BUDGET DIVISION	: REVIEW	OF AGE	ENCY & POLT. SUB. RESPONSE
LB:	681	AM:	AGENCY/POLT. SUB:	State Tre	asurer	
RE\	/IEWED BY:	Gary Bush	DATE	:	2/3/21	PHONE: (402) 471-4161
COI	MMENTS: Agr	ree with the agen	cy's estimate of no fiscal impa	act to the	agency.	

A	DMINISTRA	ATIVE SERVICE	S STATE BUDGET DIVISIO	N: RE	VIEW OF A	GENCY & POLT. SUB. RESPONSE
LB:	681	AM:	AGENCY/POLT. SUB:	Nebr	aska Departi	ment of Health and Human Services
REVI	EWED BY:	Gary Bush	DAT	TE:	2/26/21	PHONE: (402) 471-4161
COM	MENTS: Agr	ee with the agen	cy estimate of no fiscal impa	act to t	he agency.	

LB 681 Fiscal Note 2021

		State Agency	Estimate			
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	3/1/2021		Phone: 471-5896	
	FY 2021	-2022	FY 202	2-2023	FY 2023	3-2024
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$35,900	(\$2,441,000)		(\$5,209,000)		(\$8,086,000)
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$35,900	(\$2,441,000)		(\$5,209,000)		(\$8,086,000)

LB 681 amends the Nebraska educational savings plan trust to add to the definition of qualified education expenses the costs of tuition in connection with enrollment or attendance at an elementary or secondary school. Amounts in excess of \$10,000 per beneficiary per taxable year are excluded from the definition of qualified education expenses for purposes of elementary and secondary schools.

With the additional of elementary and secondary schools, LB 681 changes the names of eligible educational institutions to eligible postsecondary educational institutions. As amended and defined by LB 681, the Meadowlark Act, Neb. Rev. Stat. §§ 85-2801 to 85-2804, applies to eligible postsecondary educational institutions and qualified education expenses for eligible postsecondary education institutions. In addition, the College Savings Plan Low-Income Matching Scholarship Program is renamed the Education Savings Plan Low-Income Postsecondary Matching Scholarships Program. However, the scholarship funds disbursed continue to only be used to pay for qualified education expenses associated with attending an eligible postsecondary educational institution and not for attending kindergarten through grade 12.

LB 681 adds to the definition of a nonqualified withdrawal a qualified rollover permitted by a qualified Achieving a Better Life Experience (ABLE) program as defined under IRC § 529A, sponsored by another state or entity. Distributions from an account to pay the costs for attending kindergarten through grade 12 no longer meet the definition of a nonqualified withdrawal.

For purposes of determining whether recapture under Neb. Rev. Stat. § 77-2716(8)(d) would occur, LB 681 provides that a transfer of assets among plans within the Nebraska educational savings plan trust are considered an investment option change and not a rollover. LB 681 provides that account funds may be transferred as allowed by rule or regulation, subject to IRC § 529 provisions, as well as other applicable state or federal laws or regulations; eliminating the requirement that such transfers may occur if the beneficiary graduates from an eligible education institution and a balance remains in the account.

	Major Ol	jects of I	Expendit	ure			
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures
A29621	Revenue Tax Specialist	0.5	0.0	0.0	\$27,000		
Benefits					\$8,900		
Operating Costs							
Capital Outlay							
	ents						
Total					\$35,900		

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LB 681 renames several funds to replace College with Education and contains other harmonizing provisions. LB 681 repeals the statutory numbers of Neb. Rev. Stat. §§ 85-1801 to 85-1817, replacing these statues with the LB 681 amendments. This recodifies this Act consistent with broadening its reach beyond higher education. LB 681 eliminates a provision related to a transfer between funds, on or before September 1, 2020, for use in defraying the costs of implementing Laws 2020, LB 1042.

LB 681 becomes operative on January 1, 2022.

DOR assumes the participation rate would increase immediately as awareness of the expanded use of this tax program grows. In tax year 2023, the Department assumes a participation rate of approximately 50% of those eligible for the program and each would contribute approximate \$4,100 annually. The estimated total reduction to the General Fund would be as follows:

FY21-22	\$ (2,441,000)
FY22-23	\$ (5,209,000)
FY23-24	\$ (8,086,000)
FY24-25	\$ (8,248,000)

DOR will need 0.5 FTE of a Tax Specialist for FY21-22 only to publish guidance, answer questions, and administer the change.

LB ⁽¹⁾ 681			FISCAL NOTE
State Agency OR Political Subdivision Name:	State Treasurer		
Prepared by: (3) Jason Walters	Date Prepared: (4)	January 27, 2021 Phone:	(5) 402-471-2793
ESTIMATE PRO	OVIDED BY STATE AGEN	CY OR POLITICAL SUBDIVI	SION
<u>EXPENDITUI</u>	FY 2021-22 <u>RES</u> <u>REVENUE</u>	<u>FY 20</u> <u>EXPENDITURES</u>	<u>22-23</u> <u>REVENUE</u>
GENERAL FUNDS		_	
CASH FUNDS			
FEDERAL FUNDS			
OTHER FUNDS			
TOTAL FUNDS			
Explanation of Estimate:			
Personal Services:	DOWN BY MAJOR OBJECT	<u> IS OF EXPENDITURE</u>	
POSITION TITLE	NUMBER OF POSITION 21-22 22-23	S 2021-22 EXPENDITURES	2022-23 EXPENDITURES
Benefits	 		
Operating			
Travel			
Capital outlay			
Aid			
Capital improvements		- 	
TOTAL			

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	ESTIMATE PROVID	DED BY STATE AGENCY OR P	OLITICAL S	UBDIVISION	
State Agency or Political Sub	odivision Name:(2) Depa	rtment of Health and Humar	Services		
Prepared by: (3) Mike Michalski	Date Prepar	red 2-8-2021		Phone:	(5) 471-6719
	FY 2021-	2022		FY 2022-202	<u>3</u>
	EXPENDITURES	REVENUE	EXPEN	IDITURES	REVENUE
GENERAL FUNDS					
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	\$0	\$0		\$0	\$0
_					
Return by date specified or 72 ho	ours prior to public hearing, v	whichever is earlier.			
Explanation of Estimate):				
•					
There is no fiscal impac	t to the Department	of Health and Human S	Services.		
		AJOR OBJECTS OF EXPENDITU	IDE.		
PERSONAL SERVICES:	IVIA	AJOR OBJECTS OF EXPENDITO	IKE		
-	OSITION TITLE	NUMBER OF P 21-22	OSITIONS 22-23	2021-2022 EXPENDITURES	2022-2023
PC	JSITION TITLE	21-22	22-23	EXPENDITURES	
					EXPENDITURES
Benefits					
Benefits					
Operating					
Operating					
Operating Travel Capital Outlay					
Operating Travel Capital Outlay Aid Capital Improvements				\$0	