Austin Ligenza February 23, 2021 (402)471-0050

LB 625

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2021-22 FY 2022-23							
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE					
GENERAL FUNDS	\$59,942							
CASH FUNDS	\$35,773,000	\$35,773,000	\$87,644,000	\$87,644,000				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$35,832,942	\$35,773,000	\$87,644,000	\$87,644,000				

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

LB 625 seeks to amend the Nebraska Revenue Act of 1967 to impose a surtax on high-income individuals, beginning January 1, 2022. The rate of the surtax is 4%, and it is to be collected on income in excess of the following, dependent on the individual's filing status:

- For filers that are married filing jointly or head of household: taxable income greater than \$1 million; and
- For all other filing statuses: taxable income greater than \$500,000.

Under LB 625, the funds received from this surtax are to be credited to the Early Childhood Education Endowment Cash Fund. These funds are then to be used to fund the Early Childhood Education Grant Program (Program) for at-risk children from birth to age three.

LB 625 requires the Tax Commissioner to adjust income tax forms to include the calculation of the surtax.

Additionally, LB 625 amends sections relating to the Early Childhood Education Grant Program. First, the due date for the Department of Education's report evaluating programs is changed from January 1 of each odd-numbered year to December 31 of each year.

Along with this, the maximum percent of the total appropriation for the Program that can be reserved for evaluation and technical assistance for the programs is reduced from 5% to 1%.

Lastly, LB 625 reduces the percent of the total amount deposited into the Early Childhood Education Endowment Cash Fund each fiscal year that may be reserved for evaluation and technical assistance for the Program by the Department of Education from 10% to 1%.

Revenue:

The Department of Revenue estimates that the surtax imposed by LB 625 will have the following impact on revenue for the Early Childhood Education Endowment Cash Fund:

- FY21-22: \$35,773,000
- FY22-23: \$87,644,000
- FY23-24: \$92,026,000
- FY24-25: \$96,627,000

There is no basis to disagree with these estimates.

Expenditures:

The Department of Education expects that all revenue received by the surtax to the Early Childhood Education Endowment Cash Fund will be expended. The funds would be available to the Sixpence Board of Trustees for distribution to School Districts. One percent would be given to the Nebraska Children and Families Foundation for evaluation and technical assistance relating to the Program.

The Department of Revenue estimates a one-time OCIO charge of \$59,942 to implement LB 625. There is no basis to disagree with this estimate.

	ADMINISTR <i>A</i>	ATIVE SERVICES	S STATE BUDGET DIVISION:	REVIEW OF AGE	ENCY & POLT. SUB. RESPONSE
LB:	625	AM:	AGENCY/POLT. SUB	Department of R	evenue
REV	IEWED BY:	Gary Bush	DATE:	2/23/21	PHONE: (402) 471-4161
CON	MENTS: No	basis to disagre	e with the agency on the fiscal	impact to the bill.	

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB:	625	AM:	AGENCY/POLT. SUB:	Nebraska I	Department of Education	
REV	IEWED BY:	Gary Bush	DATE:	1/2921	PHONE: (402) 471-4161	
COMMENTS: Disagree with the estimate of how much would be collected on a surtax. The Department of Education is						

not responsible for the collection of surtaxes.

Unable to provide comment on the fiscal impact to the agency as none was provided. It is expected the impact will be minimal as the bill appears to provide additional funding for Early Childhood Education Endowment Cash Fund and no

additional programmatic requirements.

LB 625 Fiscal Note 2021

	State Agency	Estimate			
of Revenue			I	Date Due LFO:	
	Date Prepared:	2/22/2021	I	Phone: 471-5896	
FY 2021	-2022	FY 2022-2023		FY 2023-2024	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
\$59,942	\$ 0	Minimal	\$ 0	Minimal	\$ 0
	\$35,773,000		\$87,644,000		\$92,026,000
\$59,942	\$35,773,000	Minimal	\$87,644,000	Minimal	\$92,026,000
	Expenditures \$59,942	Date Prepared:	Date Prepared: 2/22/2021 FY 2021-2022 FY 2022 Expenditures Revenue Expenditures S59,942 \$0 Minimal \$35,773,000	Date Prepared: 2/22/2021 I	Date Prepared: Date Due LFO:

Section 1 of LB 625 amends Neb. Rev. Stat. § 77-2701 to add a section to the Nebraska Revenue Act of 1967.

Section 2 imposes a surtax on high-income individuals to provide funds for early childhood education. For taxable years beginning or deemed to begin on or after January 1, 2022 a surtax is imposed on individuals that are married, filing jointly or as head of household at rate of four percent of the amount of taxable income in excess of one million dollars. For individuals with any other filing status the surtax is four percent of the amount of taxable income in excess of five hundred thousand dollars. The Tax Commissioner is required to change the income tax forms to include the surtax and the surtax is collected with the individual income tax returns. All proceeds of the surtax are to be remitted to the State Treasurer for credit to the Early Childhood Education Endowment Cash Fund for use pursuant to § 79-1104.02.

Section 3 amends § 77-1103 to change the due date of the report by the State Department of Education (DOE) evaluation programs to the State Board of Education and the Legislature from January 1 of each odd-numbered year to December 31 of each year. Additionally, the percent of total appropriation for the Early Childhood Grant Program for grants administered by DOE which may be reserved by DOE for evaluation and technical assistance is changed from five percent to one percent.

Section 4 amends § 79-1104.02 to harmonize provisions and change the percent of the amount deposited in the Early Childhood Education Endowment Cash Fund that may be reserved by the board of trustees for evaluation and technical assistance for the Early Childhood Education Grant Program from ten percent to one percent.

Major Objects of Expenditure									
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		
Benefits									
Operating Costs					\$59,942				
	Capital Outlay								
Capital Improvements									
Total									

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The surtax is estimated to generate the following amounts for the Early Childhood Education Endowment Cash Fund:

FY21-22	\$ 35,773,000
FY22-23	\$ 87,644,000
FY23-24	\$ 92,026,000
FY24-25	\$ 96,627,000

LB 625 will require the addition of a line to Form 1040N and a line to NebFile totaling an estimated \$59,942 in one-time programming charge paid to the OCIO. Ongoing costs to the Department of Revenue to implement this bill are minimal.

LB (1)	625						FISCAL NOTE
State Ag	gency OR P	Political Subdivision Name: (₂₎ Educati	on			
Prepared by: (3) Melody Hobson		Date l	Date Prepared: (4)1/21/2021		Phone: (5)	402-471-0263	
		ESTIMATE PRO	VIDED BY ST	ATE AGENO	Y OR POLITIC	CAL SUBDIVISIO	N
		I	FY 2021-22			FY 2022	-23
	EXPENDITURES			REVENUE	EXPENI	<u>DITURES</u>	REVENUE
		Exact figures		xact figures		figures are	Exact figures
GENEF	RAL FUNI	DS are unknown	n <u>ar</u>	e unknown	unkno	own	are unknown
CASH I	FUNDS						
FEDER	RAL FUNI	os					
OTHE	R FUNDS						
TOTAL	L FUNDS						
Evnland	ation of Es	etimata.					
•							
		ated \$100 million per y		IOR OBJECT	S OF EXPEND	ITURE	
Persona	al Services					<u> </u>	
	POSIT	ION TITLE	NUMBER OI <u>21-22</u>	F POSITIONS <u>22-23</u>		DITURES	2022-23 EXPENDITURES
Benefit	s						
Operati	ing						
Travel.							
Capital	outlay					<u></u>	
Aid				10	00%	100%	
Capital	improven	nents					
•	•						
All tax	money c	ollected will go to the E	Early Childho	od Educatio	n Endowment	Cash fund. Thi	s will be available to
the Six	pence B	oard of Trustees to gra	nt out to Sch	ool Districts	and their part	ners. Up to 1%	will be directed to

the Endowment provider (Nebraska Children and Families Foundation) for technical assistance and evaluation.