

Updated to reflect all amendments adopted to date.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	47,708	(529,000)	(1,685,000)	(563,000)
CASH FUNDS	476,785		206,785	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	524,493	(529,000)	(1,478,215)	(563,000)

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

LB 591, as amended, establishes the Achieving a Better Life Experience (ABLE) program.

Section 1 provides definitions.

Section 2 establishes the program and requires the State Treasurer to implement the program to encourage people to save private funds for the purpose of supporting individuals with disabilities. Section 2 also allows for program costs to be paid by the Treasury Management Cash Fund.

Section 7 establishes the ABLE Program Fund, the ABLE Administrative Fund, and the ABLE Expense Fund. The ABLE Expense Fund shall be used to pay for the costs associated with the program and shall be funded with fees assessed to the program fund. When the State Treasurer determines that the ABLE Program Fund is generating enough fees to make the program self-sustaining, it is the intent of the Legislature to reimburse the Treasury Management Cash Fund for start-up costs of the program from the Expense Fund.

Section 12 allows for a reduction of Federal Adjusted Gross Income for contributions to ABLE accounts.

The State Treasurer estimates the need for one FTE Administrator to carry out the bill's provisions. Ongoing costs are estimated to be \$135,000 per year. This would cover the costs associated with ongoing legal work, marketing costs, and other office expenses. One-time costs are estimated to be \$270,000. This would cover the costs of an RFP for a Program Administrator and contract with the winning bidder.

The Federal AGI reduction will result in some state income tax reduction. That amount will depend on the number of participants and the level of contributions for each participant. The Department of Revenue estimates General Fund revenue decreases of \$768,000 in fiscal year 2015-16 and \$813,000 in fiscal year 2016-17. Those decrease estimates deepen in future years as plan participation grow. In addition, the Department of Revenue estimates \$17,024 to address the necessary mainframe and NebFile development costs. While there is no basis to disagree with these estimates, it should be noted that the General Fund revenue loss estimates for new programs such as this tend to be much lower in the first few years. It is likely that the revenue loss estimated here is greater than what may be realized, but the actual amount is dependent on the number of participants and the level of plan contributions. Due to these variables it is prudent to assume a greater reduction at the outset.

As amended by AM1682, the provisions of LB76 are included in the bill. Changes in the Homestead Exemption are included that will result in decreases to the General Fund for both revenue and expenditures. Furthermore, changes in the earned income tax credit to individuals are included. Again, this will result in decreases to the General Fund for both revenue and expenditures.

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

2015

LB⁽¹⁾ 591 AM598 & AM1587

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ May 14, 2015 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$476,785		\$206,785	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$476,785		\$206,785	

Explanation of Estimate:

LB591 makes the State Treasurer the trustee of the achieving a better life experience program. The program anticipates a single administrator selected by the State Treasurer. The Treasurer estimates the need for one full-time employee to oversee the implementation and ongoing administration of the program.

This fiscal note includes \$270,000 of Treasury Management Cash Funds to be appropriated in FY 2015-16 to cover start-up costs. An RFP will need to be written, reviewed and issued prior to having a program administrator selected. The State Treasurer would then contract with the winning bidder for a Program Administrator contract. There would be substantial legal costs for the drafting of regulations for the program, plus the review of program disclosure documents. In addition to the legal costs in FY 2015-16, there would be marketing expenses for ads and/or printed materials, costs for computer, monitors, desk, office chair, etc. for the new FTE.

The fiscal note includes \$135,000 in both FY 2015-16 and FY 2016-17 for operating costs. This includes continual legal work, marketing costs, and other office expenses.

LB 591 is unclear about future operating costs. Until earnings in the trust are sufficient to pay the costs of administering, operating and maintaining the trust, funds from the Treasury Management Cash Fund will be needed to administer the program. We cannot determine the revenue amount in either FY 2015-16 or FY 2016-17, due to the uncertainty of the fees that will be agreed to in the program administrator agreement.

Salary of \$50,000 for a full time employee, with health insurance (assuming family plan, \$18,000 per year), retirement benefits (\$156.02/month) and employer taxes (\$159.39/month).

These cost estimates are based on cost estimates for the start-up of the college savings plan, adjusted for inflation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program assistant	1 FTE	1 FTE	\$50,000	\$50,000
Benefits.....			\$21,785	\$21,785
Operating.....			\$405,000	\$135,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$476,785	\$206,785

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

2015

LB⁽¹⁾ AM627 & AM1352 to LB591

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Investment Council

Prepared by: ⁽³⁾ Michael Walden-Newman Date Prepared: ⁽⁴⁾ 5/13/15 Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Explanation of Estimate:

For fiscal years 2015-2017, Council staff does not feel there is a fiscal impact to the agency. The initial workload required can be absorbed with existing resources. While there is a possible long-term fiscal impact from LB 591, it will depend upon the complexity of the program structure and growth of the assets within the program.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

