

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	50,000 to 100,000		4,000,000	4,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	50,000 to 100,000		4,000,000	4,000,000

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

LB 334 would revise various sections of law relating to the Department of Economic Development. The revisions contained in LB 334 include:

Enterprise Zone rules and regulations – LB 334 would make rules and regulations for the Enterprise Zone program optional rather than mandatory. It is estimated that there would be no fiscal impact to the Department of Economic Development as a result of this revision.

Repeal the Angel Investment Tax Credit Act – LB 334 would provide that tax credits approved under the Angel Investment Tax Credit Act would end in calendar year 2019 rather than calendar year 2022. Tax credit allocations under the act are capped at \$4,000,000 per year. Ending the program at the end of calendar year 2019 would result in a revenue savings to the state. It is estimated that the termination of the program would result in a \$4,000,000 revenue increase in FY20-21. In FY17-18, approximately \$44,357 was expended to administer the tax credit program. It is estimated that operating costs related to the Angel Investment Tax Credit Act would continue through the FY19-21 biennium due to monitoring requirements established in law, which would apply to tax credits approved in 2019.

The Department of Revenue notes that it would incur costs in FY19-20 to remove the tax credits from various income tax forms. The costs would be in the form of charges paid to the OCIO to reprogram forms, and are estimated by the agency to total \$101,831 General Funds. Historically, in FY11-12, a one-time appropriation of \$62,000 General Funds was carried out to provide the Department of Revenue with funding to revise the tax forms and establish a tracking system. Under current law, any costs related to the termination of the program would be incurred in the FY21-23 biennium.

Reallocation of General Funds previously dedicated to the Angel Investment Tax Credit Act – LB 334 states in legislative intent that the \$4,000,000 saved due to the elimination of the Angel Investment Tax Credit Act would be reallocated into an appropriation to the Business Innovation Act. A General Fund appropriation of \$4,000,000 to the Department of Economic Development would be carried out in FY20-21. A portion of the funding would be allocated to operating costs, with the remainder earmarked as state aid. There is no basis to disagree with the agency estimate of \$3,800,000 in state aid payments and \$200,000 in operating expenses. The agency estimate for operating costs does not include funding for additional staff.

Revision of Business Innovation Act legislative review – LB 334 would remove the termination date for the Business Innovation Act and replace it with a requirement that beginning in 2020, and every even-numbered year thereafter, the Department of Economic Development would assess and evaluate the economic impact of programs funded under the Business Innovation Act. The agency would be allowed to contract with a nonprofit entity to carry out the economic impact assessment. It is estimated that costs for this purpose would come from the funds allocated for operating expenses, as shown above.

LB 334 would also provide that beginning with the FY21-23 biennial budget review process, the Appropriations Committee shall conduct a biennial analysis of the financial status and impact of the Business Innovation Act. It is currently established under law that the Business Innovation Act would terminate on December 31, 2021. The termination date of the act was once previously extended from 2016 to 2021. Assuming that the program could be terminated on the date currently established in law, a General Fund savings would not occur in the FY21-23 biennium.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 334	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Lee Will		DATE: 3/12/2019	PHONE: (402) 471-4175
COMMENTS: Concur with the Department of Economic Development's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 334	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will		DATE: 3/12/2019	PHONE: (402) 471-4175
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.			

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

2019

LB⁽¹⁾ 334

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Rippe Date Prepared: ⁽⁴⁾ 1/24/2019 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	_____	_____	\$4,000,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	\$4,000,000	=====

Explanation of Estimate:

LB334 sunsets applications to the Angel Investment Tax Credit (AITC) on December 31, 2019, proposes that the \$4 million in General Funds currently appropriated to provide refundable tax credits under the AITC be appropriated to the Business Innovation Act (BIA), and repeals the sunset of the BIA on December 1, 2021. The bill also requires the Department of Economic Development to evaluate the economic impact of programs under the BIA and publish the results in even-numbered years beginning in 2020, and that the Appropriations Committee of the Legislature conduct a biennial analysis of the financial status and impact of the programs funded under the BIA. Finally, the bill substitutes permissive language for mandatory language regarding the promulgation of rules and regulations for Development Districts and Enterprise Zones, and eliminates obsolete language in the Enterprise Zone Act.

Since the AITC program provides a refundable income tax credit, applications filed to receive AITC tax credits will be processed in 2019 up to the December 31, 2019 sunset date or until the \$4 million in AITC tax credits have been exhausted. Those tax credits will be used in the FY2019-20 tax filings largely between January and April of 2020. LB334, as drafted, provides intent language for moving the \$4 million in General Funds from the AITC to the BIA act beginning in FY2020-21.

Section 81-12,163.01 provides for up to 5% of the funds transferred to the BIA be used for administration. This will require an adjustment to the budget between state aid and operations. There will be no change in PSL due to the bill; however, the bill requires completion of a study every other year, which is estimated to cost \$25,000 to \$30,000, and the BIA program will use additional funds for consulting to assist in identifying potential start-up projects.

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>
_____	_____	_____	_____	\$0
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating (Reports and consulting).....	_____	_____	_____	180,000
Travel.....	_____	_____	_____	20,000
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	3,800,000
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	\$4,000,000

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 3/8/19
Approved by: Tony Fulton Date Prepared: 3/7/19 Phone: 471-5896

Table with columns for FY 2019-2020, FY 2020-2021, and FY 2021-2022. Sub-columns include Expenditures and Revenue for General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 334 provides that tax credits cannot be allocated under the Angel Investment Tax Credit Act for calendar years after 2019 instead of the current 2022 sunset date.

LB 334 states legislative intent that the \$4 million saved from the elimination of the Angel Investment Tax Credit Act be appropriated to the Department of Economic Development for the Business Innovation Act for fiscal year 2020-2021 and each following year.

DED must evaluate the economic impact of the Business Innovation Act every even numbered year starting with 2020. Beginning with the FY2021-23 biennial budget, the Appropriations Committee must evaluate the financial status of programs funded under the Business Innovation Act.

This bill would increase General Fund revenues by \$4,000,000 for FY 2020-21 through FY 2022-2023, offset by a \$4 million appropriation. Nebr. Rev. Stat. § 81-12,167, which provides the current sunset date for the Business Innovation Act, would be repealed. The Angel Investment Tax Credit Act was set to sunset after calendar year 2022. Consequently, by removing the sunset date for the Business Innovation Act, beginning in FY 2023-24, there would not be a General Fund increase to fund the appropriation.

The increase to the General Fund and offsetting appropriation would be as follows:

Table showing General Fund Increase and Appropriation to DED for fiscal years 2019-2020 through 2023-2024.

LB 334 would require a one-time programming charge of \$101,831 paid to the OCIO for mainframe and web development changes to remove lines from the 1040N, 1120N, 1041N, and NebFile. It is estimated that LB 334 can be implemented with existing staff.

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, and FTE/Expenditures for years 19-20, 20-21, and 21-22. Includes categories like Benefits, Operating Costs, Travel, Capital Outlay, and Capital Improvements.