

Revised based upon Select File amendments

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	100,000	100,000	4,000,000	4,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	100,000	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.

As amended, LB 334 would revise various sections of law relating to the Department of Economic Development and the Military Department. 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 terminate after calendar year 2019 rather than calendar year 2022. Tax credit allocations under the act are capped at \$4,000,000 per year, except that in 2019, tax credits would be capped at \$3,900,000. Because tax credits under the act would be awarded through calendar year 2019, the credits would be claimed in FY19-20. As a result, revenue savings from the elimination of the tax credit program would not begin until FY2020-21.

The Department of Revenue states that it would incur one-time 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 to total approximately \$100,000 General Funds. The reduction of the 2019 Angel Investment Tax Credit Act cap to \$3,900,000 would result in a General Fund revenue offset to the increased expenditures.

Reallocation of General Funds previously dedicated to the Angel Investment Tax Credit Act – As amended on Select File, LB 334 states in legislative intent that the \$4,000,000 saved due to the elimination of the Angel Investment Tax Credit Act and the one-time 2019 costs to the Department of Revenue would be reallocated into an appropriation to the Governor’s Emergency Program in FY2020-21. A General Fund appropriation of \$4,000,000 to the Military Department would be carried out in FY20-21.

LB 334 as amended also provides that beginning in FY21-22, the \$4,000,000 previously allocated to the Angel Investment Tax Credit Act be allocated the Business Innovation Act in the Department of Economic Development.

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.

Planning and development regions – As amended, LB 334 would establish a statutory procedure for a county to leave a Nebraska planning and development region in which it is located and enter an adjacent planning and development region. In order to carry out such a change, affected planning and development regions would enter into written agreements to resolve outstanding financial or legal obligations. The Department of Economic Development would be required to review the agreements and would be allowed to provide recommendations to the districts.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 334 AM: 801 AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Lee Will DATE: 4/10/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFA:			
Approved by: Tony Fulton				Date Prepared:			
				Phone: 471-5896			
	FY 2019-2020		FY 2020-2021		FY 2021-2022		
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	
General Funds	\$101,831	\$100,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$101,831	\$100,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	

AM 801 to LB 334 provides that no more than \$3.9 million in tax credits will be allocated under the Angel Investment Tax Credit Act for calendar year 2019. No tax credits will be allocated under the Angel Investment Tax Credit Act for subsequent years.

The \$100,000 saved by the reduction of the amount of tax credits available under the Angel Investment Act in 2019 will be appropriated to the Business Innovation Act to be used by the Department of Revenue (Department) in fiscal year 2019-2020 to offset costs of implementing this Act. Because the Department cannot spend money appropriated to the Department of Economic Development (DED) under the Business innovation Act, the costs of implementing LB 334 would still be a General Fund expenditure. Subsequently, the \$4 million saved from the elimination of the Angel Investment Tax Credit Act are appropriated to DED for the administration of the Business Innovation Act for fiscal year 2020-2021 and each following year.

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

This amendment increases General Fund revenues by \$4,000,000 for FY 2020-21 through FY 2022-2023, offset by a \$4 million appropriation. Section 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:

	General Fund Increase	Appropriation to DED
FY 2019-2020	\$100,000	\$0
FY 2020-2021	\$4,000,000	\$4,000,000
FY 2021-2022	\$4,000,000	\$4,000,000
FY 2022-2023	\$4,000,000	\$4,000,000
FY 2023-2024	\$0	\$4,000,000

AM 801 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 AM 801 can be implemented with existing staff.

Major Objects of Expenditure							
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$101,831		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....				\$101,831		