

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	2,185,928	See Below*	2,040,747	See Below*
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	2,185,928	See Below*	2,040,747	See Below*

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

LB573 creates the Health Enterprise Zone Act. The Act establishes the following.

1. A 3-year pilot project to create health enterprise zones.
 - The University, in consultation with a newly created Health Enterprise Zone Review Board (the Board), is to establish criteria and application procedures for the creation and approval of the zones.
 - Local health departments may apply to the University of Nebraska Medical Center (UNMC) for the establishment of a zone. The local health departments' match is 1/3 of the funding requested.
 - The Board approves applications forwarded by UNMC based on certain criteria.
 - Local health departments receiving zone approval may award grants to health care facilities and professionals that provide services to uninsured patients or for patients who are Medicaid eligible.
 - Grant funds are to be used for medical or dental equipment, capital improvements, or lease hold improvements
 - The Health Enterprise Zone Fund is created to provide the 2/3 General Funds for local health departments. It is intended that \$1.8 million General Funds be appropriated to the Fund for FY2015-16, FY2016-17 and FY2017-18.

The University of Nebraska is estimating \$177,500 General Funds for FY2015-16 and \$179,000 General Funds for FY2016-17 which includes 1.25 FTE's and operating cost for its part in administering the program.

2. The health enterprise zone tax credit to provide credits to taxpayers providing health care services within a health enterprise zone for uninsured patients and for patients who are Medicaid eligible. The program is to be administered by the Department of Revenue.
 - A taxpayer is entitled to a refundable tax credit equal to 100% of expenditures during the tax year for employing a health care professional or support personnel if the position is full-time and did not exist in the prior tax year.
 - The credit shall not exceed the amount of the incentive approved by the Board.

The Department of Revenue is indicating cost of \$208,428 General Funds for FY2015-16 and \$61,747 General Funds for FY2016-17 which includes 2 half-time positions and one-time costs for IT development.

*The Department is also estimating a revenue loss dependent upon how many Zones are approved and how many Medicaid eligible and uninsured patients are locate within the approved Zones. The Department estimates that for each 1,000 Medicaid eligible and uninsured patients living in a Zone, the fiscal impact associated with the refundable income tax credit is approximately \$1 million based on the average number of health care professionals in Nebraska per 1,000 residents and average compensation. The Department indicates that in 2013, there were 377,800 Medicaid eligible and uninsured Nebraskans. There is no basis to disagree with the estimate.

The estimated cost for the third year of the pilot project is \$2,040,905 General Funds.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 573	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Lyn Heaton	DATE: 3/10/2015	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the University of Nebraska analysis regarding administrative costs. Technical Note: Section 10 of the bill provides intent to appropriate funds from the General Fund to the Health Enterprise Zone Reserve Fund. General Funds are transferred to other funds rather than appropriated to them. General Fund appropriations are expended directly from the General Fund.		

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

2015

LB⁽¹⁾ 573

**FISCAL
NOTE**

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 27, 2015 Phone: ⁽⁵⁾ 402-472-7109

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	<u>177,500</u>	<u> </u>	<u>179,000</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u><u>177,500</u></u>	<u><u> </u></u>	<u><u>179,000</u></u>	<u><u> </u></u>

Explanation of Estimate

LB 573 would create a pilot project for creating health enterprise zones under the Health Enterprise Zone Act to target state resources and to reduce health disparities, improve health outcomes, and reduce health costs and hospital admissions and readmissions in specific areas of the state. The Dean of the College of Public Health of UNMC is a voting member and chairman of the Board. The Board of Regents of the University of Nebraska in consultation with the Health Enterprise Zone Review Board will adopt rules and regulations for the pilot project to establish eligibility criteria and procedures for applications for creation and approval of zones and procedure for monitoring of zones by UNMC under the Act. Funding for 1.25 FTE to administer the program is required as well as operating expenses for supplies, equipment, travel and contracts.

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>
Staff Accountant	<u>1.0</u>	<u>1.0</u>	<u>60,000</u>	<u>60,000</u>
Office Associate	<u>0.25</u>	<u>.025</u>	<u>10,000</u>	<u>10,000</u>
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Benefits.....			<u>17,500</u>	<u>17,500</u>
Operating.....			<u>82,000</u>	<u>83,000</u>
Travel.....			<u>8,000</u>	<u>8,500</u>
Capital outlay.....			<u> </u>	<u> </u>
Aid.....			<u> </u>	<u> </u>
Capital improvements.....			<u> </u>	<u> </u>
TOTAL.....			<u><u>177,500</u></u>	<u><u>179,000</u></u>

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 3/9/2015				
Approved by: Len Sloup		Date Prepared: 3/9/2015				
		Phone: 471-5896				
	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$208,428	See below	\$61,747	See below	\$63,905	See below
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$208,428	See below	\$61,747	See below	\$63,905	See below

LB 573 would adopt the Heath Enterprise Zone Act and create a Health Enterprise Zone Review Board (Board).

The bill creates the Health Enterprise Zone Reserve Fund and provides intent to appropriate \$1,800,000 from the General Fund to the new fund for three years, FY 2015-16 through 2017-18. The Fund is for grants and is not related to the refundable tax credits discussed below.

LB 573 allows taxpayers to apply to the Department of Revenue for refundable, tentative tax credits. Applicants must provide health care for patients who are uninsured or under Medicaid within a Heath Enterprise Zone (Zone). The applications must be filed by November 1 and be complete by December 1. Taxpayer is defined to include entities and individuals, but not governments or income tax-exempt nonprofits or business entities with over 10% ownership by these exempt entities. The Department may approve applications for tentative tax credits equal to 100% of the taxpayer’s expenditures to employ a health care professional or support personnel if the position is full-time and did not exist in the prior tax year.

The tentative tax credits approved by the Department cannot exceed the amount of incentive approved by the Board. However, the bill does not appear to limit the amount that can be approved by the Board or allow the Board to change the amount that the local health department requests in the application. Also, there does not appear to be any limit on the amount of credits the local health department can request in its plan or any limit on the amount of tax credits the Board can approve either per taxpayer, per Zone, or overall. The tentative tax credits approved by the Department expire the year following and they cannot be carried over or back. The Department is to develop forms for applying for tentative tax credits.

The bill carries the emergency clause.

The fiscal impact associated with LB 573 includes the annual appropriation specified above. Also, in 2013, the state Medicaid population was 197,100 and the additional uninsured population was 180,700, most of who live in counties served by a local health department. It is estimated that for each 1,000 Medicaid eligible and uninsured patients living in a Zone, the fiscal impact associated with the refundable income tax credit is approximately \$1 million, based on the average number of health care professionals in Nebraska per 1,000 residents and the average compensation paid. The total fiscal impact of LB 573 depends on how many Zones are approved by the Board per year and how many Medicaid eligible and uninsured patients are located in each.

Departmental cost to implement LB 573 includes 0.5 FTE Fiscal Compliance Analyst, 0.5 FTE IT Application Developer Senior, and one-time fees paid to the OCIO for IT Development totaling \$143,129.

Major Objects of Expenditure

Class Code	Classification Title	15-16	16-17	17-18	15-16	16-17	17-18
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07012	IT Application Developer Senior	0.5	0.5	0.5	\$26,877	\$27,522	\$28,859
A21211	Fiscal Compliance Analyst	0.5	0.5	0.5	\$18,461	\$18,904	\$19,358
Benefits.....					\$14,961	\$15,321	\$15,688
Operating Costs.....					\$143,129		
Travel.....							
Capital Outlay.....					\$5,000		
Aid.....							
Capital Improvements.....							
Total.....					\$208,428	\$61,747	\$63,905