

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 387 amends the Nebraska Affordable Housing Act, the Nebraska Advantage Microenterprise Tax Credit Act, the Angel Investment Tax Credit Act, and the Business Innovation Act.

The Nebraska Affordable Housing Act is amended to change a requirement on the allocation of funds by the Department of Economic Development by congressional district. The current language of statute requires the Department to allocate a minimum of 30% of funds available to each congressional district. The new language of LB 387 provides that the Department shall make “its best efforts to allocate” at least 30% of funds available to each district.

The Nebraska Microenterprise Tax Credit Act is amended to strike the definition of distressed area, strikes the requirement that projects must be in a distressed area, strikes references to distressed area, and adds language that credits are to go to projects that contribute to the state’s economy.

The Angel Investment Tax Credit Act is amended to remove the definition of distressed area (which is the same as in the Microenterprise Tax Credit Act), strikes references to distressed area, changes the percentage of refundable tax credit available to a qualified small business to 40% for all qualified small businesses. Existing language in statute only allows the 40% credit to those qualified small businesses located in a distressed area; all other qualified businesses received 35%.

In addition, the bill strikes the confidentiality requirement regarding qualified small businesses. Such confidentiality would now only apply to the qualified investor.

Section 81-1201.15 is amended to provide that the Business Recruitment Division of the Department of Revenue could now withhold information regarding recruitment, location, relocation, and expansion projects from the public until a public announcement is made or until negotiations are concluded.

The Business Innovation Act is amended to strike the definition of distressed area (the same definition as in the two other Acts), strikes references to distressed areas, and removes the requirement that at least 40% of funding for financial assistance programs goes to projects in distressed areas.

The Department of Revenue estimates no fiscal impact to the General Fund as a result of LB 387. They also indicate no cost to implement the provisions of the bill.

The Department of Economic Development estimates no fiscal impact to the General Fund as a result of LB 387. They also indicate no cost to implement the provisions of the bill.

We agree with the both Department’s estimate of fiscal impact and cost.

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 387	AM:	AGENCY/POLT. SUB: Dept of Economic Development
REVIEWED BY: Gary Bush	DATE: 1/31/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the agency.		

ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 387	AM:	AGENCY/POLT. SUB: Dept of Revenue
REVIEWED BY: Gary Bush	DATE: 2/7/17	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the agency.		

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

2017

LB⁽¹⁾ 387

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Dept. of Economic Development

Prepared by: ⁽³⁾ Courtney Dentlinger Date Prepared: ⁽⁴⁾ 1/20/2017 Phone: ⁽⁵⁾ 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	(See Below)	=====	(See Below)

Explanation of Estimate:

LB 387 amends provisions relating to the use of funds under the Nebraska Affordable Housing Act, by requiring the Department of Economic Development to make its best effort to allocate at least 30% of the total funds to each congressional district.

The bill also eliminates provisions relating to distressed areas in the Nebraska Advantage Microenterprise Tax Credit Act, the Angel Investment Tax Credit Act, and the Business Innovation Act. Currently, a business must be in a distressed area to qualify; however, the definitions of distressed areas included in statute include nearly the entire state.

LB 387 changes provisions relating to confidentiality requirements for the Business Recruitment Division, and eliminates confidentiality for businesses receiving investment under the Angel Investment Tax Credit Act.

Finally, LB 387 provides for more flexibility in developing rules and regulations for the Department of Economic Development.

The Department of Economic Development believes that any changes in eligibility due to the elimination of the distressed area criteria will have minimal impact on General Fund tax refunds, or grants made under the Business Innovation Act. The Department will have minimal cost increases or savings associated with the provisions of LB 387.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2017-18	2018-19
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/7/2017			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 2/6/2017					
FY 2017-2018		FY 2018-2019		FY 2019-2020	
<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds					
Cash Funds	\$ 0		\$ 0		\$ 0
Federal Funds					
Other Funds					
Total Funds	\$ 0		\$ 0		\$ 0

LB 387 amends Neb. Rev. Stat. § 58-708, dealing with the Department of Economic Development’s allocation of funds from the Affordable Housing Trust Fund. Currently, DED is required to allocate at least 30% of the funds to projects in each congressional district. LB 387 replaces that requirement with direction to use its best efforts to allocate at least 30% of the funds to projects in each congressional district.

Sections 2 through 5 of LB 387 amend four sections in the Nebraska Advantage Microenterprise Tax Credit Act to remove references to “distressed areas.” Currently, projects receiving an allocation under this act must be in a distressed area, but the definition is so broad that nearly every area in the state qualifies. The current definition is that the area is a municipality, county, unincorporated area within a county, or census tract that has an unemployment rate greater than the state average, per capita income under the state average, or a population decrease.

Sections 6 through 8 amend three sections of the Angel Investment Tax Credit Act to strike this same definition of “distressed area” detailed above and to strike references to distressed areas in that Act. Currently, investment in qualified small businesses in distressed areas qualifies for a 40% refundable tax credit instead of 35%. LB 387 makes all investments in qualified small businesses eligible for a 40% refundable credit. Information about the qualified small business would no longer be confidential under LB 387 although information about the investor would remain confidential.

Section 9 amends Neb. Rev. Stat. § 81-1201.15 to allow the Business Recruitment Division of the Department of Economic Development to withhold information about recruitment, location or expansion from the public until a public announcement or the conclusion of negotiations.

Finally, sections 11 & 12 amend Neb. Rev. Stat. §§ 81-12,153 & 81-12,156 to strike the definition of distressed area (which is the same as in the other two programs) and eliminate a requirement in the Business Innovation Act that at least 40% of the funding for financial assistance programs be used for projects in distressed areas.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be no cost to the Department to implement this bill.

Major Objects of Expenditure								
<u>Class Code</u>	<u>Classification Title</u>	<u>17-18 FTE</u>	<u>18-19 FTE</u>	<u>19-20 FTE</u>	<u>17-18 Expenditures</u>	<u>18-19 Expenditures</u>	<u>19-20 Expenditures</u>	
	Benefits.....							
	Operating Costs.....							
	Travel.....							
	Capital Outlay.....							
	Aid.....							
	Capital Improvements.....							
	Total.....							