

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				\$5,790,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				\$5,790,000

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

LB 918 amends a number of sections of statute regarding economic development and the tax incentive acts.

Section 77-27,188 is amended to change wage requirements for the Nebraska Advantage Rural Development Act. The minimum qualifying wage is changed to at least 150% of the Nebraska average weekly wage. New language is inserted to require that health care benefits are provided to new equivalent employees for whom tax credits are sought under the Act.

Section 77-5714 is amended to change wage requirement for the Nebraska Advantage Act to require for tier 1, tier 2, tier 3, and tier 4 equivalent employees that the wage rate is equal to at least 150% of the Nebraska average weekly wage and that they receive employer-provided health care benefits. Tier 6 employees are also required to receive employer-provided health care benefits.

Section 77-5719.01 is amended to change the percentage of the wage credit a taxpayer may receive under the Nebraska Advantage Act. For tier 1, tier 2, tier 3, and tier 4 projects the wage level to receive a 3% credit is increased to 150% of the average annual wage, for 4% it is increased to 165%, for 5% it is increased to 190%, and for a 6% credit it is increased to 215%.

It also changes the definitions of average annual wage and average wage of new employees to include new language to include employer-provided health care benefits.

Section 81-1203 regarding Department of Economic Development job training grants to require a wage level of at least 150% of the Nebraska average weekly wage and include employer-provided health care benefits. It also changes the requirement regarding employment to require that 100% of jobs are full-time.

Section 81-1204 is amended to change grant limitations.

The changes proposed by LB 918 regarding the amended tax incentive acts are operative for applications filed on or after the effective date of this bill.

The Department of Revenue estimates that the provisions of LB 918 would result in fewer projects qualifying for incentive related benefits, which would have the following fiscal impact on the General Fund:

FY2018-19:	\$	0
FY2019-20:	\$	5,790,000
FY2020-21:	\$	18,920,000
FY2021-22:	\$	41,310,000
FY2022-23:	\$	64,770,000
FY2023-24:	\$	82,350,000
FY2024-25:	\$	96,380,000
FY2025-26:	\$	106,380,000

The Department of Revenue indicates minimal cost to implement the provisions of LB 918.

We have no basis to disagree with the Department of Revenue's estimate of fiscal impact or cost.

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 1/31/2018
 Approved by: Tony Fulton Date Prepared: 1/30/2018 Phone: 471-5896

	FY 2018-2019		FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds				\$5,790,000		\$18,920,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds				\$5,790,000		\$18,920,000

LB 918 would amend the Nebraska Advantage Rural Development Act, Neb. Rev. Stat. § 77-27,188, to increase the required wage to 150% of the county average wage (rather than \$13.51/ hour currently) and require the jobs to receive employer-provided health care benefits. LB 918 would also amend the Nebraska Advantage Act, Neb. Rev. Stat. §§ 77-5714 and 77-5725, to increase the required wage to 150% of the Nebraska average wage (rather than 60%) and require the new jobs to receive employer-provided health care benefits. The wage credit thresholds would also be increased to 3% if the wages are 150% of the state average wage, 4% if 165% of the state average wage; 5% if 190% of the state average wage; and 6% if they are 215% of the state average wage. The changes proposed to these incentive acts would be operative for new applications filed on or after the effective date of the bill.

LB 918 would also amend Neb. Rev. Stat. §§ 81-1203 and 81-1204 to provide that to qualify for job training grants, the jobs must pay at least 150% of the Nebraska average wage and provide employer-provided health care benefits.

LB 918 would result in fewer projects qualifying for incentive related benefits, which would increase General Fund revenues as follows:

FY 2017-2018	\$		-
FY 2018-2019	\$		-
FY 2019-2020	\$	5,790,000	
FY 2020-2021	\$	18,920,000	
FY 2021-2022	\$	41,310,000	
FY 2022-2023	\$	64,770,000	
FY 2023-2024	\$	82,350,000	
FY 2024-2025	\$	96,300,000	
FY 2025-2026	\$	106,380,000	

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>	<u>18-19</u>	<u>19-20</u>	<u>20-21</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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2018

LB⁽¹⁾ 918

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Rippe Date Prepared: ⁽⁴⁾ 1/16/2018 Phone: ⁽⁵⁾ 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB918 changes wage thresholds for the Nebraska Advantage Rural Development Act, and changes wage thresholds, requires employer-provided health care benefits in the Nebraska Advantage Act. The bill also changes the job training program in DED. LB918 would also require increased wage levels, employer-provided health care, that the jobs available or created to be full-time jobs, and changes training grant award levels.

LB918 also changes provisions of job training grants provided by DED. The bill as drafted changes required wage rates from the current "local prevailing average wage" to 150% of the statewide average weekly wage. In addition, the jobs available or jobs created by the applicant for training grants must offer employer-provided healthcare benefits. Finally, the bill requires that 100% of the jobs available or created will be full-time jobs. The bill sets maximum training grants per trainee at \$20,000 or \$25,000 if the applicant is in an enterprise zone, has 25 or fewer employees, or is in rural or high-poverty areas and meets other criteria.

LB918 will result in very few businesses qualifying for training grants, which would result in training far fewer workers due to the increased wage requirement. The fiscal impact of the job training provisions of LB918 would also depend upon the new money transferred to the Job Training Cash Fund.

Note that the healthcare provision is currently included in DED's guidelines for providing training grants, so this provision will have no impact on program usage.

LB918, as drafted, will affect the marketing of Nebraska Advantage by the Department of Economic Development, which can be accomplished with minimal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19</u>	<u>2019-20</u>
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____