

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$148,000	(\$10,000,000)	\$60,500	(\$12,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$148,000	(\$10,000,000)	\$60,500	(\$12,000,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 50 would adopt the Elementary and Secondary Educational Opportunity Act.

The Act creates nonrefundable income tax credits for contributions to a scholarship-granting organization (SGO) that provides scholarships to students attending a private school in Nebraska. The same basic credits would be available to individuals (resident and non-resident), pass-through entities, estates or trusts, and corporations. The SGO is required to be a 501(c)(3) tax exempt organization, must have programs to grant scholarships to eligible students, will offer one or more scholarships, will allocate at least ninety-five percent of its annual revenue for scholarships, will provide scholarships without limiting the scholarships to students of only one qualified school, and is certified by the Tax Commissioner as a SGO.

The credit against Nebraska income tax is 65 percent of the total contributions made during the tax year. The tax credit allowed shall not exceed a taxpayer's income tax liability for the tax year; however, any amount over the limitation that would otherwise qualify may be carried forward for up to five years following the original tax year.

The bill limits scholarships to students who are residents of Nebraska whose household gross income for the most recent calendar year does not exceed three times the income standard used to qualify for free or reduced price lunch under the U.S. Code, and who is a full-time student in grades kindergarten through eight at a qualified school; or a resident student whose household gross income for the most recent calendar year does not exceed four times the income standard used to qualify for free or reduced price lunch under the U.S. Code, who is a full-time student in grades nine through twelve at a qualified school. The bill provides that eligible students need to meet the income standard upon receiving the first-time scholarship and then continue to be eligible regardless of household income.

For example:

For a household of two, using the reduced lunch eligibility standard for grades K-8, the maximum household income limit would be \$80,865; for grades 9-12, the maximum household income limit would be \$107,820.

For a household of four, using the reduced lunch eligibility standard for grades K-8, the maximum household income limit would be \$122,379; for grades 9-12, the maximum household income limit would be \$163,172.

For a household of six, using the reduced lunch eligibility standard for grades K-8, the maximum household income limit would be \$163,893; for grades 9-12, the maximum household income limit would be \$218,524.

Because the bill states that the standard to be used for determining income eligibility is the free lunch OR the reduced price lunch standard, the Department of Revenue would have to use the higher reduced price lunch standard.

The bill requires the taxpayer to notify the SGO of their intent to donate and the amount of the contribution. The SGO shall then request preapproval from the Department of Revenue for the tax credit granted by LB 50. The Department of Revenue is to notify the SGO within 30 days of its determination regarding the credit. The SGO then notifies the taxpayer. The taxpayer then has 30 days to make the contribution in order to qualify for the credit. The credit will not be allowed if the taxpayer designates all or part of the contribution to the organization for the direct benefit of a specific student.

The aggregate amount of tax credits is capped as follows:

2011	\$10,000,000
2012	\$12,000,000
2013	\$14,000,000
2014	\$16,000,000
2015	\$18,000,000
2016	\$20,000,000
2017	and each year thereafter the annual limit is indexed and adjusted to the Consumer Price Index

Once the preapproved credits have reached the designated limit for any one calendar year, no additional credits shall be preapproved.

The Department of Revenue is given rule and regulation authority.

The bill is to be operative for all taxable years beginning on or after January 1, 2011.

It is assumed the potential reduction in students impacted by the bill will not appreciably reduce general fund operating expenditures for TEEOSA purposes because of the dispersion of students. The potential decrease in students will change basic funding for impacted schools however; the decline may be offset by a higher amount of basic funding per student resulting in no overall change in basic funding and TEEOSA aid.

Not all students who may be impacted by the bill will be transfer students from the public schools. The bill provides that scholarships will be available to students entering kindergarten or ninth grade in a qualified school. In addition, as written the bill would allow contributions to an applicant providing scholarships to students already attending a private school, once certified by the Tax Commissioner as an SGO, to be eligible for the 65 percent tax credit.

The Department of Revenue estimates, based on the size of the credit and the potential pool of eligible students, that the cap specified in LB 50, will be reached every year. The costs to the Department include one-time mainframe programming costs of \$83,300 and 1.5 FTE to process and approve certifications, to track and preapprove credits, and to process returns.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

The Nebraska Department of Education indicated no fiscal impact to the department as a result of LB 50.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
DEPT. OF REVENUE – Concur.					
DEPT. OF EDUCATION - Concur that there would be no fiscal impact to NDE operations.					
Impact to K-12 Finance: The Census Bureau's 2005-2009 American Community Survey estimates for Nebraska indicate that 90 to 94% of households with children are likely eligible to receive scholarship benefits under LB 50. For children in a 4-person household, the maximum income threshold is equal to the Reduced Price Meal-Income Eligibility Guideline of \$40,793 multiplied by 3 (or \$122,379) for elementary students, and multiplied by 4 (or \$163,172) for secondary students.					
There would likely be sufficient migration of students from public schools to private schools in order to reduce General Fund TEEOSA aid statewide, beginning with the 2013-14 school year.					
For example: assuming maximum creditable donations statewide, an average scholarship of \$2,500, and all scholarship recipients transferring from a public school, then public school membership statewide would decrease by 4,000 students in FY 2011-12, and by 4,800 students in FY 2012-13. Expecting higher concentrations of migration in urban areas, this would measurably decrease TEEOSA formula need (basic funding calculation) for Omaha and Lincoln schools as of FY 2013-14 and 2014-15, potentially resulting in an estimated reduction in General Fund State Aid of \$5,000,000 to \$10,000,000 each year.					