

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 1386 creates the Nebraska Student Savings Account Support Fund (the fund). The fund is to be administered by the State Treasurer and shall be used to provide educational savings account funding. Beginning in the 2025-26 school year students enrolled in kindergarten through twelfth grade at an approved or accredited private, denominational, or parochial school in the state shall receive information on applying for an educational savings account in order to receive funding from the state.

Beginning July 1, 2025, the State Treasurer shall establish a separate educational savings account for each enrolled student for whom an application is received. Each year, the State Treasurer shall transfer \$1,500 from the fund into the account of each such enrolled student. Funds may be withdrawn from the account for qualified educational expenses.

The State Treasurer estimates the need for additional staffing and related operational costs to administer this new program. These costs are estimated to be \$56,500 in FY25 and \$245,000 per year thereafter. There is no basis to disagree with this estimate.

The State Treasurer also identifies that there will be a cost to hire a company to oversee the individual educational savings accounts. This cost cannot be determined at this time and is no included in the staffing costs identified above.

The Department of Revenue estimates no cost to implement the provisions of LB 1386. Distributions from individual accounts would be considered taxable income. This would result in greater income tax collections. It is not possible to determine any such increase in collections due to the uncertain nature of dollars withdrawn.

LB 1386 is silent regarding the source from which the fund will receive funds. For the purpose of this fiscal note, it is assumed that the General Fund will be utilized. That amount will be a product of \$1,500 for each qualified student for whom an account is established. In FY22-23, there were 33,611 private school students in grades kindergarten through 12th grade. Assuming 80% of students apply for the account, the estimated cost could be approximately \$40 million.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1386	AM:	AGENCY/POLT. SUB: State Treasurer	
REVIEWED BY: Neil Sullivan	DATE: 1/25/2024	PHONE: (402) 471-4179	
COMMENTS: The State Treasurer assessment of administrative fiscal impact from LB 1386 appears reasonable. There appears to be no impact from the annual distributions to accounts due to no funding source identified for the Nebraska Student Savings Account Support Fund.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 13	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 1/26/2024	PHONE: (402) 471-4179	
COMMENTS: The Department of Revenue assessment of no fiscal impact from LB 1386 appears reasonable.			

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2024

LB⁽¹⁾ 1386

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ Jan. 22, 2024 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>56,500</u>	<u> </u>	<u>245,000</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>56,500</u>	<u> </u>	<u>245,000</u>	<u> </u>

Explanation of Estimate:

LB 1386 would allow for parents of students at private, denominational or parochial schools to apply for an individual educational savings account with the State Treasurer. Parents may withdraw from educational savings accounts for use on qualified educational expenses. LB 1386 also states that the Treasurer shall monitor the accounts, investigate suspicious activity and conduct random audits.

The State Treasurer would have to create an application process and hire a record keeper to hold the funds and track balances on each individual educational savings account. The Treasurer would hire a program administrator to oversee the program, likely in January 2025. With the program beginning with the 2025-26 school year, an auditor/investigator position wouldn't be needed until July 2025.

The costs in this fiscal note only reflect the cost to hire an administrator and an audit/investigator. There will be costs to hire a company to oversee the individual educational savings accounts. That cost, which would begin in fiscal year 2024-25 is not known. The bill doesn't address which fund (general, Treasury Management, etc.), will cover the admin expenses. If the fund isn't specified, I believe we're supposed to show the general fund.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program administrator	<u>.5</u>	<u>1</u>	<u>37,500</u>	<u>78,750</u>
Auditor/Investigator	<u> </u>	<u>1</u>	<u> </u>	<u>85,000</u>
Benefits.....	<u> </u>	<u> </u>	<u>19,000</u>	<u>82,000</u>
Operating.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Travel.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aid.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital improvements.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u>56,500</u>	<u>245,000</u>