Clinton Verner February 1, 2021 402-401-0056

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	1-22	FY 2022-23				
	EXPENDITURES	EXPENDITURES REVENUE EXPENDITURES					
GENERAL FUNDS	\$100,000	\$100,000	\$2,000,000	\$650,000			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$100,000	\$100,000	\$2,000,000	\$650,000			

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

LB 879 amends the Nebraska Microenterprise Advantage Act. The bill:

- Changes the sunset date from December 31, 2022, to December 31, 2021;
- Reduces the adjusted limit for the program for calendar year 2022 to \$1.9 million plus the tentative tax credits no granted by the end of the preceding year;
- States intent to appropriate \$100,000 to the Department of Revenue in FY 21-22 to offset costs; and
- States intent to appropriate the \$2 million saved in FY 22-23 and each year thereafter to the Department of Economic Development for the Business Innovation Act.

The Nebraska Microenterprise Advantage Act is undersubscribed and approximately \$650,000 in tax credits were used in 2019. The \$650,000 revenue loss is the current estimate in the General Fund revenue forecast of the Nebraska Economic Forecast Advisory Board. Elimination of the tax credit results in an \$650,000 increase in General Fund revenue, which represents the savings from the program. The bill also states intent to appropriate \$100,000 to the Department of Revenue to offset its costs to administer the bill. However, the department estimates its costs to be minimal. As a result, we assume the \$100,000 will remain unused and lapse to the General Fund. The Department of Economic Development estimates \$100,000 in operating costs, as authorized by the bill, beginning in FY22-23, and the remaining \$1.9 million to be spent for aid as authorized under the Business Innovation Act.

ADMI	NISTRATIVE SERVICES	STATE BUDGET DIVISION: REVIEW	V OF AGENCY & POLT. SUB. RESPONSE
LB: 74	AM:	AGENCY/POLT. SUB: Departn	nent of Economic Development
REVIEWED	BY: Neil Sullivan	DATE: 1/28/2021	PHONE: (402) 471-4179
COMMENT	S: The Department of Ec	pnomic Development assessment of fi	scal impact from LB 74 appears reasonable.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE AM:

LB: 74

REVIEWED BY: Neil Sullivan

AGENCY/POLT. SUB: Department of Revenue

DATE: 2/1/2021

PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of fiscal impact from LB 74 appears reasonable.

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 74			FISCAL NOTE		
State Agency OR Political Subdivision Name:	2) Nebraska Departr	nent of Economic Develop	oment		
Prepared by: ⁽³⁾ Anthony Goins	Date Prepared: ⁽⁴⁾	1/13/2021 Phone: ⁽⁵⁾	402-471-3777		
ESTIMATE PROV	IDED BY STATE AGEN	CY OR POLITICAL SUBDIVIS	SION		
F	Y 2021-22	FY 202	FY 2022-23		
EXPENDITUR	ES <u>REVENUE</u>	EXPENDITURES	REVENUE		
GENERAL FUNDS		\$2,000,000			
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	=	\$2,000,000			

Explanation of Estimate:

LB74 eliminates the Nebraska Advantage Microenterprise Tax Credit Act on December 31, 2021, and reduces the total amount of these tax credits available for distribution by the Department of Revenue for 2021 by \$100,000, from \$2,000,000 to \$1,900,000. The bill also contains intent language to increase the General Fund appropriation to the Department of Economic Development by \$2 million for the Business Innovation Act, beginning in FY2022-23.

Section 81-12,163 allows the Department of Economic Development up to use up to 5% of the funds appropriated for administrative expenses. It is estimated that the additional funds will result in increased operating expenses of \$80,000 and travel to visit and consult with grant applicants of \$20,000.

BREAK	<u>DOWN BY MAJ</u>	<u>OR OBJECTS OF</u>	<u>F EXPENDITURE</u>	
Personal Services:				
ροςιτιον τιτι ε		F POSITIONS	2021-22 EXDENIDITUDES	2022-23 EXDENDITUDES
POSITION TITLE	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	EXPENDITURES
Benefits				
Operating				\$80,000
Travel				20,000
Capital outlay				
Aid				1,900,000
Capital improvements				
TOTAL				\$2,000,000

Fiscal Note 2021

State Agency Estimate						
State Agency Name: Department of	f Revenue				Date Due LFA:	
Approved by: Tony Fulton		Date Prepared:	2/1/2021		Phone: 471-5896	
	FY 202	1-2022	FY 2022-2023 FY 2023-2024			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$100,000	\$2,000,000	\$1,200,000	\$2,000,000	
Cash Funds				\$2,000,000		\$2,000,000
Federal Funds						
Other Funds						
Total Funds		\$100,000	\$2,000,000	\$3,200,000	\$2,000,000	\$2,000,000

State Aganay Estimate

LB 74 sunsets the Nebraska Advantage Microenterprise Tax Credit Act in December 31, 2021 rather than December 31, 2022. The bill reduces the allocation for applications submitted under the program in 2021 from \$2 million to \$1.9 million plus the unused amount rolled over, if any, from the preceding year.

The bill provides that the \$2 million saved from the elimination of the program will be allocated to the Department of Economic Development (DED) for the Business Innovation Act beginning in fiscal year 2022-23. However, the Microenterprise program is undersubscribed. The Department of Revenue (DOR) shows the General Fund increase from eliminating this program as \$1.2 million rather than \$2 million while the expenditures from the appropriation from the General Fund to the DED for the Business Innovation Act are \$2 million.

The \$100,000 saved due to the reduction in authorized tax credits in 2021 shall be appropriated in FY2021-22 to offset Department of Revenue implementation costs. It is estimated that there will be minimal costs to the DOR to implement this bill, so this \$100,000 is represented as an increase to General Fund revenues.

The operative date for this bill is three months after adjournment.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 <u>Expenditures</u>	22-23 <u>Expenditures</u>	23-24 <u>Expenditures</u>	
Benefits								
Operating Costs								
Travel								
Capital Outlay								
Capital Improvements								