PREPARED BY: DATE PREPARED: PHONE: John Wiemer February 28, 2023 402-471-0051

LB 165

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	23-24	FY 2024-25					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS		(\$2,539,000)		(\$5,669,000)				
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS		(\$2,539,000)		(\$5,669,000)				

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

LB 165 seeks to make changes so that for the Nebraska education savings plans qualified higher education expenses are changed in name to qualified education expenses. This bill then changes the definition of the mentioned term to include not only costs for postsecondary education but also for expenses for tuition in connection with enrollment or attendance at an elementary or secondary school with a limit of \$10,000 per beneficiary per taxable year.

Under LB 165, Federal adjusted gross income (FAGI), or federal taxable income, would be reduced to the extent included, by income from interest, earnings, and state contributions received from the Nebraska educational savings plan trust.

The bill would replace the word College with Education for the College Savings Plan Program Fund, the College Savings Plan Expense Fund, and the College Savings Plan Administrative Fund.

The bill would make changes so that assets in or income from an educational savings account, a Coverdell educational savings account described in 26 U.S.C. 530, a qualified tuition program established pursuant to 26 U.S.C. 529, or any similar savings account or plan established to save for qualified education expenses as defined in the bill would not be included as assets or income to determine eligibility for the program for aid to dependent children pursuant to section 43-512 as administered by the state pursuant to the federal Temporary Assistance for Needy Families program, for the low-income home energy assistance program administered by the state pursuant to the federal Energy Policy Act of 2005, for the Supplemental Nutrition Assistance Program administered by the state pursuant to the federal Food and Nutrition Act of 2008, and for the child care subsidy program established pursuant to section 68-1202.

The bill would also remove distributions from an account to pay the costs of attending kindergarten through 12th grade as a nonqualified withdrawal.

LB 165 would make changes so that all money in the Department of Revenue Miscellaneous Receipt Fund would only be used to defray the cost of production of the publications listed in section 77-3,109 or of the listings described in section 77-3,118 and to carry out any administrative responsibilities of the department.

LB 165 would become operative January 1, 2024.

The Department of Revenue (DOR) estimates the following reduction to General Fund revenues from this bill:

- FY 23-24: \$2,539,000
- FY 24-25: \$5,669,000
- FY 25-26: \$7,921,000
- FY 26-27: \$7,829,000

The DOR estimates that there will be no costs to implement the bill.

There is no basis to disagree with these estimates by DOR.

The Secretary of State estimates no fiscal impact from this bill. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 165	AM:	AGENCY/POLT. SUB: Secret	ary of State			
REVIEWED B	Y: Neil Sullivan	DATE: 2/24/2023	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the Secretary of State assessment of no fiscal impact from LB 165.						

TOTAL.....

LB ⁽¹⁾ 165						FISCAL NOTE
State Agency OR I	Political Subdivision Name: ⁽²⁾	Secret	ary of State			
Prepared by: (3)	Joan Arnold	Date	Prepared: (4)	1-10-2023	Phone: (5)	402-471-2384
	ESTIMATE PROV	IDED BY	STATE AGEN	CY OR POLITIC	CAL SUBDIVIS	SION
	FY	2023-24			FY 2024	-25
	EXPENDITURE		<u>REVENUE</u>	<u>EXPENDI</u>		REVENUE
GENERAL FUN	DS					
CASH FUNDS		_				
FEDERAL FUNI	DS					
OTHER FUNDS						
TOTAL FUNDS						
Explanation of E	Sstimate:					
No fiscal impac	et					
Personal Service		WN BY MA	LJOR OBJECT	S OF EXPENDIT	<u> FURE</u>	
1 ersonar gervice		NUMBER C	F POSITIONS	S 2023-	-24	2024-25
POSIT	TION TITLE	<u>23-24</u>	<u>24-25</u>	EXPEND	<u>ITURES</u>	EXPENDITURES
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	ments					
premi miprover						

LB 0165 Fiscal Note 2023

State Agency Estimate								
t of Revenue				Date Due LFO:				
	Date Prepared:	02/28/2023		Phone: 471-5896				
FY 2023	3-202 <u>4</u>	FY 2024-2025		FY 2025-2026				
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
	(\$2,539,000)	1	(\$5,669,000)		(\$7,921,000)			
	(\$2,539,000)		(\$5,669,000)		(\$7,921,000)			
	FY 2023	Date Prepared:	Date Prepared: 02/28/2023 FY 2023-2024 FY 2024 Expenditures Revenue Expenditures (\$2,539,000)	Date Prepared: 02/28/2023 FY 2023-2024 FY 2024-2025 Expenditures Revenue (\$2,539,000) (\$5,669,000)	Date Due LFO: Date Due LFO:			

LB 165 adds to the definition of qualified education expenses the costs of tuition in connection with costs of attending kindergarten through grade twelve. Amounts in excess of \$10,000 per beneficiary per taxable year are excluded from the definition of qualified education expenses for purposes of elementary and secondary schools.

LB 165 renames certain funds by replacing "College" with "Education" and contain other harmonizing provisions

The Department of Revenue (DOR) assumes the participation rate would increase immediately as awareness of the expanded use of this tax program grows. In tax year 2025, the Department assumes a participation rate of approximately 50% of those eligible for the program and each would contribute approximately \$4,100 annually. The estimated reduction to the General Fund revenue would be as follows:

FY 2023-24	\$ 2,539,000
FY 2024-25	\$ 5,669,000
FY 2025-26	\$ 7,921,000
FY 2026-27	\$ 7,829,000

DOR estimates that there will be no costs to implement LB 165.

LB 165 becomes operative January 1, 2024.

Major Objects of Expenditure								
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures	
Benefits								
Operating Costs	Operating Costs							
Travel								
Capital Outlay								
Capital Improvement								
Total								