Scott Danigole January 26, 2024 402-471-0055

LB 1386

Revision: 00 FISCAL NO LEGISLATIVE FISCAL ANALYST ESTIMA

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 2024	4-25	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 Funds may be withdrawn from the account for gualified educational expenses.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 It is not possible to determine any such increase in collections due to the uncertain nature of dollars withdrawn.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 Trea	asurer			
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: **REVIEWED BY: Neil Sullivan** AGENCY/POLT. SUB: Department of Revenue DATE: 1/26/2024

PHONE: (402) 471-4179

COMMENTS: The Department of Revenue assessment of no fiscal impact from LB 1386 appears reasonable.

State Agency Name: Department of	of Revenue			I	Date Due LFO:		
Approved by: James R. Kamm		Date Prepared:	01/26/2024	I	Phone: 471-5896		
	FY 2024	FY 2024-2025		FY 2025-2026		FY 2026-2027	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$ 0		\$ C	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$ 0		\$ 0	

LB 1386 creates the Nebraska Student Savings Account Support Fund (Fund) to be administered by the State Treasurer. The Fund must be used to provide education savings account funding pursuant to this section. Any money in the fund available for the investment will be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and Nebraska State Funds Investment Act.

Starting in the 2025-2026 school year, the parent or guardian of any student in K-12 at an approved or accredited private, denominational, or parochial school in this State or the enrolled student, if the student is 19 years old or older or an emancipated minor, will receive as part of the enrollment process information on applying for an educational savings account to receive funding from the state. The parent or guardian, or the enrolled student, must apply for the account on forms and in manner prescribed by the State Treasurer.

Beginning July 1, 2025, the State Treasurer will establish a separate educational savings account for each enrolled student who applies for an account. Each fiscal year the State Treasurer will transfer \$1,500 from the Nebraska Student Savings Account Support Fund into the educational savings account of each enrolled student. A parent or legal guardian of the enrolled student or if the student is 19 years of age or older, or an emancipated minor can withdraw money from the educational savings account for qualified expenses. Qualified educational expenses include tuition and fees; textbooks and supplies; fees or payments for education therapies, including tutoring or cognitive skills training; and any other academic or learning material approved by the State Board of Education. The educational savings account will terminate, and the funds will be transferred to the General Fund if the student no longer qualifies as an enrolled student upon the enrolled student's graduation from high school, or in the event of the death of the enrolled student.

LB 1386 does not state how the Fund will be funded. It is estimated that there will be no fiscal impact to the General Fund revenue since there are no transfers from the General Fund or other sources to the Fund. Should distributions be made from the Fund they would be considered taxable income. It is also estimated that there will be no cost to the Department of Revenue to implement LB 1386.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	24-25 <u>FTE</u>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	24-25 <u>Expenditures</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	
Benefits								
Operating Costs								
Travel								
Capital Outlay								
Capital Improvements.								
Total								

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

LB ⁽¹⁾ 1386				[FISCAL NOTE
State Agency OR Political S	Subdivision Name: (2)	State Treasurer			
Prepared by: ⁽³⁾ Jason	Walters	Date Prepared: ⁽⁴⁾	Jan. 22, 2024	Phone: (5)	402-471-2793
	<u>ESTIMATE PROVI</u>	<u>DED BY STATE AGEN</u>	CY OR POLITICAL	<u>SUBDIVIS</u>	ION
	FY 2	2024-25		FY 2025-	-26
	EXPENDITURES	REVENUE	EXPENDITUR		REVENUE
GENERAL FUNDS	56,500		245,000		
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS	56,500		245,000		

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