

Updated to reflect all amendments adopted to date.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	17,024	(768,000)		(813,000)
CASH FUNDS	476,785		206,785	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	493,809	(768,000)	206,785	(813,000)

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

LB 591, as amended, establishes the Achieving a Better Life Experience (ABLE) program.

Section 1 provides definitions.

Section 2 establishes the program and requires the State Treasurer to implement the program to encourage people to save private funds for the purpose of supporting individuals with disabilities. Section 2 also allows for program costs to be paid by the Treasury Management Cash Fund.

Section 7 establishes the ABLE Program Fund, the ABLE Administrative Fund, and the ABLE Expense Fund. The ABLE Expense Fund shall be used to pay for the costs associated with the program and shall be funded with fees assessed to the program fund. When the State Treasurer determines that the ABLE Program Fund is generating enough fees to make the program self-sustaining, it is the intent of the Legislature to reimburse the Treasury Management Cash Fund for start-up costs of the program from the Expense Fund.

Section 12 allows for a reduction of Federal Adjusted Gross Income for contributions to ABLE accounts.

The State Treasurer estimates the need for one FTE Administrator to carry out the bill's provisions. Ongoing costs are estimated to be \$135,000 per year. This would cover the costs associated with ongoing legal work, marketing costs, and other office expenses. One-time costs are estimated to be \$270,000. This would cover the costs of an RFP for a Program Administrator and contract with the winning bidder.

The Federal AGI reduction will result in some state income tax reduction. That amount will depend on the number of participants and the level of contributions for each participant. The Department of Revenue estimates General Fund revenue decreases of \$768,000 in fiscal year 2015-16 and \$813,000 in fiscal year 2016-17. Those decrease estimates deepen in future years as plan participation grows. In addition, the Department of Revenue estimates \$17,024 to address the necessary mainframe and NebFile development costs. While there is no basis to disagree with these estimates, it should be noted that the General Fund revenue loss estimates for new programs such as this tend to be much lower in the first few years. It is likely that the revenue loss estimated here is greater than what may be realized, but the actual amount is dependent on the number of participants and the level of plan contributions. Due to these variables it is prudent to assume a greater reduction at the outset.

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2015

LB⁽¹⁾ AM627 & AM1352 to LB591

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Investment Council

Prepared by: ⁽³⁾ Michael Walden-Newman Date Prepared: ⁽⁴⁾ 5/13/15 Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Explanation of Estimate:

For fiscal years 2015-2017, Council staff does not feel there is a fiscal impact to the agency. The initial workload required can be absorbed with existing resources. While there is a possible long-term fiscal impact from LB 591, it will depend upon the complexity of the program structure and growth of the assets within the program.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue		Date Prepared: 5/15/2015		Date Due LFA: 5/15/2015	
Approved by: Len Sloup				Phone: 471-5896	
	FY 2015-2016		FY 2016-2017		FY 2017-2018
	<u>Expenditures</u>				
General Funds	\$17,024	(\$768,000)		(\$813,000)	(\$866,000)
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$17,024	(\$768,000)		(\$813,000)	(\$866,000)

As amended by AM 627 & AM 1352, LB 591 would adopt the Achieving a Better Life Experience Program (ABLE) and provide a reduction to federal adjusted gross income (for individuals) or federal taxable income (for corporations) for contributions to and income from qualifying IRC 529A ABLE accounts. The maximum adjustment would be \$5,000 for a married, filing separate return or \$10,000 for all other returns. There is no separate provision for an increasing adjustment if the ABLE account is canceled and refunded to the taxpayer like there is for the College Savings Plan accounts. The funds in an account may be used for future qualified disability expenses of designated disabled beneficiaries. A beneficiary of a qualified account must be a resident of the State or contracting state.

The program and qualifying accounts are administered by the State Treasurer. Two funds would be created; one to hold contributions to the individual accounts and the other to be funded from fees assessed to the program and used by the State Treasurer to administer the ABLE program. The Nebraska Investment Council oversees the investment of the portfolio. LB 591 also excludes assets or income of a beneficiary’s account when determining eligibility for aid to dependent children, the Supplemental Nutrition Assistance Program, or the child care subsidy program under Chapter 68.

LB 591, as amended, carries the emergency clause, which would be in the middle of a tax year. Assuming the exclusions from federal adjusted gross income or taxable income are available for tax year 2015, the bill would reduce revenue to the General Fund by the following amounts:

- FY 2015-16: \$768,000
- FY 2016-17: \$813,000
- FY 2017-18: \$866,000
- FY 2018-19: \$913,000

Departmental cost to implement the bill includes \$17,024 for mainframe and NebFile development costs.

Major Objects of Expenditure

Class Code	Classification Title	15-16	16-17	17-18	15-16	16-17	17-18
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....				\$17,024		
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....				\$17,024		

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2015

LB⁽¹⁾ 591 AM598 & AM1587

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ May 14, 2015 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$476,785		\$206,785	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$476,785		\$206,785	

Explanation of Estimate:

LB591 makes the State Treasurer the trustee of the achieving a better life experience program. The program anticipates a single administrator selected by the State Treasurer. The Treasurer estimates the need for one full-time employee to oversee the implementation and ongoing administration of the program.

This fiscal note includes \$270,000 of Treasury Management Cash Funds to be appropriated in FY 2015-16 to cover start-up costs. An RFP will need to be written, reviewed and issued prior to having a program administrator selected. The State Treasurer would then contract with the winning bidder for a Program Administrator contract. There would be substantial legal costs for the drafting of regulations for the program, plus the review of program disclosure documents. In addition to the legal costs in FY 2015-16, there would be marketing expenses for ads and/or printed materials, costs for computer, monitors, desk, office chair, etc. for the new FTE.

The fiscal note includes \$135,000 in both FY 2015-16 and FY 2016-17 for operating costs. This includes continual legal work, marketing costs, and other office expenses.

LB 591 is unclear about future operating costs. Until earnings in the trust are sufficient to pay the costs of administering, operating and maintaining the trust, funds from the Treasury Management Cash Fund will be needed to administer the program. We cannot determine the revenue amount in either FY 2015-16 or FY 2016-17, due to the uncertainty of the fees that will be agreed to in the program administrator agreement.

Salary of \$50,000 for a full time employee, with health insurance (assuming family plan, \$18,000 per year), retirement benefits (\$156.02/month) and employer taxes (\$159.39/month).

These cost estimates are based on cost estimates for the start-up of the college savings plan, adjusted for inflation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program assistant	1 FTE	1 FTE	\$50,000	\$50,000
Benefits.....			\$21,785	\$21,785
Operating.....			\$405,000	\$135,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$476,785	\$206,785