

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	127,833	0	91,749	0
CASH FUNDS	0	0	0	0
FEDERAL FUNDS	0	0	0	0
OTHER FUNDS	0	0	0	0
TOTAL FUNDS	127,833	0	91,749	0

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

Requires that tax incentive performance audits shall be conducted on the eight existing tax credit programs as well as any new tax incentive program that may be created by the Legislature for the purpose of recruitment or retention of businesses in Nebraska. The bill requires the office of Legislative Audit to develop a schedule for conducting tax incentive performance audits and shall update the annually. The schedule shall ensure that each tax incentive program is reviewed at least once every three years.

The costs of the tax incentive performance audits could vary depending on the frequency of audits per the schedule that will be developed and whether these audits would be done in lieu of other audit projects. If these audits are to be in addition to existing audits, then an additional audit position would likely be required. Another cost would likely be the acquisition and maintenance of economic modeling software to assist in the evaluations. The table below shows the estimated cost to the office of Legislative Audit.

	<u>FY2015-16</u>	<u>FY2016-17</u>
Salary (Performance Auditor)	55,000	56,320
OASDI	4,208	4,308
Retirement	4,125	4,224
Health Insurance	11,000	12,397
Subtotal	74,333	77,249
Operations	5,000	2,500
Modeling software	48,500	12,000
Total	127,833	91,749

Although the Departments of Revenue and Economic Development will likely be asked to provide information as part of the audit, the bill should not result in a significant increase in their costs.

Section 9 of the bill also includes a two year extension for new project applications for Tiers 1, 3, and 6 under the Nebraska Advantage Act. This would allow for additional projects to be eligible for tax credits with a subsequent revenue loss in future years but the number of applications and amount of credits is unknown.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>		
LB: 538	AM:	AGENCY/POLT. SUB: Dept. of Economic Development
REVIEWED BY: Lyn Heaton	DATE: 2/23/2015	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Economic Development's analysis.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 538	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Lyn Heaton	DATE: 2/24/2015	PHONE: 471-4181
COMMENTS: The operational fiscal impact on the Department of Revenue will depend on the extent to which the audit plan developed by the Legislative Performance Audit Committee requires information to be compiled and presented by the Department relative to the tax incentive program(s) being audited.		



**State Agency Estimate**

State Agency Name: Department of Revenue Date Due LFA: 2/23/2015  
 Approved by: Len Sloup Date Prepared: 2/23/2015 Phone: 471-5896

	<b>FY 2015-2016</b>		<b>FY 2016-2017</b>		<b>FY 2017-2018</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 26,300		\$ 27,000		\$ 28,200	
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>	<b>\$ 26,300</b>		<b>\$ 27,000</b>		<b>\$ 28,200</b>	

LB 538 requires the Legislative Performance Audit Committee (Committee) to evaluate all tax incentive programs created for purposes of recruitment or retention of businesses in Nebraska every three years.

Each tax incentive performance audit will include an analysis of whether the tax incentive program is meeting specified goals, an analysis of the economic and fiscal impacts of the tax incentive program, an assessment of whether adequate protections are in place to ensure that the fiscal impact of the tax incentive does not increase substantially beyond the state’s expectation in future years, an assessment of the fiscal impact of the tax incentive on budgets of local governments, and recommendations for any changes to statutes, rules or regulations that would allow the tax incentive program to be more easily evaluated in the future.

LB 538 requires each approved tax incentive performance audit report to be presented at a joint hearing of the Appropriations Committee and Revenue Committee. For tax incentive performance audits, the Committee may waive the requirement that agencies provide an implementation plan within 40 days following the release of the committee report.

LB 538 extends the sunset date for Nebraska Advantage Act Tier 1, Tier 3, and Tier 6 projects and Nebraska Advantage Research and Development Act projects.

It is estimated that there will be no fiscal impact to General Fund revenues.

It is estimated that the Department will need a 0.5 FTE auditor to gather the additional information on incentive programs required for distribution to the Committee.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
A21212	Auditor	0.5	0.5	0.5	\$ 19,800	\$ 20,300	\$ 21,200
	Benefits.....				\$ 6,500	\$ 6,700	\$ 7,000
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
<b>Total.....</b>					<b>\$ 26,300</b>	<b>\$ 27,000</b>	<b>\$ 28,200</b>