PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 09, 2015 402-471-0051

LB 321

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	5-16	FY 2016-17				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$237,067	(\$3,500,000)	\$48,086	(\$5,200,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$237,067	(\$3,500,000)	\$48,086	(\$5,200,000)			

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

LB 321 creates the Nebraska Industrial New Job-training Act.

In general, the bill would allow Nebraska community colleges to issue and sell bond certificates in order to pay the costs of new job training programs for employers with whom the college has entered into an agreement to provide services or other assistance. The bonds would be payable from the future receipts of new job withholding payments; these payment are based on the wages paid to employees in the new jobs as follows:

- 1) For an employee with a rate of pay less than 200% of the Nebraska average wage, the payment shall be equal to 1.5% of the gross wages paid to the employee;
- 2) For an employee with a rate of pay that is 200% or more of the Nebraska average wage, the payment shall be equal to 3.0% of the gross wages paid to the employee.

The employer is to pay the new job withholding payments out of the amount of funds withheld from the employees' wages for state withholding taxes directly to the community college. The college is to place the revenue received in a special fund used to pay the principal and interest on the bond certificates issued by the college to finance the project under the agreement.

In addition, the board of governors of the community college shall provide for the assessment of an annual levy of a standby tax upon all taxable property within the community college area in order to further secure payment of the job training bonds. This levy is in addition to all other levies and is not to exceed a maximum of two cents per one hundred dollars of valuation. The revenue received is to be placed in a special fund and used only to pay principal and interest on the bonds issued by the college for job training and used only in the event the revenue received from the withholding payments is insufficient to pay principal and interest due.

LB 321 defines a project as a training arrangement which is the subject of an agreement between a community college and an employer in which the college provides services and other assistance to the employer. This assistance includes but is not limited to the following: a) new jobs training; b) adult basic education and job-related instruction; c) vocational and skill-assessment services and testing; d) training facilities, equipment, materials, and supplies; e) on-the-job training; f) administrative expenses for a new jobs training program; g) contracted or professional services; and h) issuance of bond certificates.

An employer seeking such assistance shall apply to the Department of Economic Development (DED) for approval of the project. If the DED finds that that the employer meets the criteria set forth in LB 321, which includes finding that the project will result in new jobs with an average wage that is more than the Nebraska average wage, the application will be approved. Once the project is approved, the community college may enter into an agreement with the employer and shall also notify the Department of Revenue of the agreement.

The Department of Revenue is to develop and maintain a system for tracking agreements entered into under the Act. Both the employer and the community college are to certify to the Department of Revenue the new job payments paid by the employer to the college and any other information required by the Department. Employees are to receive full credit with respect to payment of withholding taxes due from the employee for the amount of new job withholding payments.

Community colleges are required to report agreements entered into under the Act to the Department of Economic Development. The Department is to issue an annual report to the Revenue Committee of the Legislature listing approved projects, number of employees entering into and completing training, number of degrees or certificates awarded, number of full-time and part-time employees as a result of the project; and the schedule for bond certificate repayment for each project.

The Department of Revenue is to issue an annual report to the Revenue Committee of the Legislature detailing the amount of new job withholding payments and the total number of agreements entered into each year.

The bill does not have a stated operative date so will become operative ninety days after the end of the legislative session, which would make the operative date sometime in early September.

Fiscal Impact:

The Department of Labor indicates no fiscal impact to the Department as a result of LB 321.

The Nebraska Community College Association indicates the community colleges may have an increase in revenue for doing industry specific training but offers no estimate of as to the amount of increased revenue.

The Department of Economic Development estimates, based on a similar program in Iowa, that they expect approximately 400 projects during the first year and 2,000 workers trained. When the Act is fully implemented, the Department of Economic Development expects the number of projects to ramp up substantially to approximately 750 or 800 per year, training around 5,000 workers annually.

The Department of Economic Development estimates it will require 0.5 FTE Economic Development Business Consultant to review and approve projects and training, and to prepare the required reports. The estimated cost for FY2015-16 is \$46,901 with PSL of \$22,062 and for FY2016-17 is \$48,086 with PSL of \$22,592.

We have no basis to disagree with the Department of Economic Development's estimate of cost.

The Department of Revenue estimates the following fiscal impact to the General Fund as a result of LB 321:

FY2015-16: (\$ 10,660,000) FY2016-17: (\$ 25,370,000) FY2017-18: (\$ 26,110,000) FY2018-19: (\$ 27,190,000)

The Department of Revenue indicates a cost of \$190,166 paid to the Office of the CIO for a one-time programming charge for mainframe and web development changes.

We have no basis to disagree with the Department of Revenue's estimate of cost.

However, we do disagree with the Department of Revenue's estimate of fiscal impact to the General Fund. We estimate the fiscal impact as follows:

FY2015-16: (\$ 3,500,000) FY2016-17: (\$ 5,200,000) FY2017-18: (\$ 7,000,000) FY2018-19: (\$ 8,750,000)

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 321	AM:	AGENCY/POLT. SUB: Community Colleges				
REVIEWED BY: Lyn Heaton		DATE: 2/9/2015	PHONE: 471-4181			

COMMENTS: It is reasonable to assume that the Community Colleges will experience an increase in both revenue and expenditures in the event they provide job training to employers pursuant to the bill's provisions. As noted in the fiscal note prepared by the Community College Association, it is unknown to what extent employers will participate and request training projects. The bill will have no impact on General Fund expenditures for the Aid to Community Colleges program.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 321	LB: 321 AM: AGENCY/POLT. SUB: Dept. of Economic Development				
REVIEWED BY: Lyn Heaton			DATE: 2/9/2015	PHONE: 471-4181	
COMMENTS: No basis upon which to disagree with the Department of Economic Development's estimate.					

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 321 AM: AGENCY/POLT. SUB: Dept. of Labor					
REVIEWED BY: Lyn	Heaton		DATE: 2/9/2015	PHONE: 471-4181	
COMMENTS: Concur. No fiscal impact on the Dept. of Labor.					

LB (1)	321						FISCAL NOTE			
State Agency OR Political Subdivision Name: (2)			Neb	Nebraska Community College Association						
Prepare	ed by: (3)	Dennis G. Baack	Date	Prepared: (4)	1/20/2015	Phone: (5)	402-471-4685			
		ESTIMATE PRO	VIDED BY S	TATE AGENO	CY OR POLITICA	AL SUBDIVISIO	ON			
			FY 2015-16			FY 2016				
		EXPENDITUE		REVENUE	<u>EXPENDI</u>	·	REVENUE			
GENE	RAL FUN	DS	<u> </u>		<u> </u>					
CASH	FUNDS									
FEDER	RAL FUNI	DS	<u> </u>							
OTHE	R FUNDS	<u></u>	<u> </u>							
TOTA	L FUNDS		<u> </u>							
May h		ased revenue by doing requested.			raining. Howeve		own how much			
Person	al Service:	s:	NAME OF THE PARTY	DE DOCUETON	3					
	POSIT	ION TITLE	15-16	OF POSITIONS <u>16-17</u>	5 2015 EXPEND		2016-17 EXPENDITURES			
Benefit	s									
Operat	ing									
Travel										
-	•						-			
-	-	ments								
TO	TAL									

LB 321 Fiscal Note 2015

State Agency Estimate							
State Agency Name: Dept. of Econ-	omic Development				Date Due LFA 1/23	/2015	
Approved by: Lara Huskey	Date Prepared: 1/28/2015				Phone: 402-471-377	7	
	FY 2014-2015 FY 2015-2016		5-2016	FY 2016-2017			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds			\$46,901		\$48,086	1	
Cash Funds							
Federal Funds							
Other Funds					_		
Total Funds			\$46,901		\$48,086		

LB321 creates the Nebraska Industrial New Job Training Act. Under the Act, an employer will apply to the Department of Economic Development (DED) for a project that will involve a community college providing training related services and assistance to the employer's employees. If DED finds that the project will result in new jobs with an average wage that is more than the Nebraska average wage, provide industrial-approved training, and comply with the requirements of the Act; DED shall approve the project. Then, the community college will enter into an agreement with the employer and provide notice the Department of Revenue. The Department of Revenue will track all agreements entered into under the Act. A lien shall be placed upon the employer's property (presumably by the community college, as it will enter into the agreement with the employer) if an agreement requires any payments to be made by an employer until such payments are made.

The community college will borrow funding and/or issue bonds to raise funds for the training related services and assistance provided to the employer's employees. The bonds can be sold at a private or public sale. The community college will receive payments on the bond certificates from withholding taxes of the employer's employees. The bonds will further be secured by an assessment of an annual levy of a standby tax upon all property within the community college area (can't exceed 2 cents per one hundred dollars of taxable valuation of property subject to the levy). The community college will report to DED and DED will report to the Legislature annually. The Department of Revenue will also report to the Legislature annually.

The Department of Economic Development estimates that it will require 0.5 FTE of an Economic Development Business Consultant to review and approve projects and training, and to prepare reports. Based on a similar program in Iowa, we expect between 750 and 800 projects per year, training about 5,000 persons annually when fully implemented, but without an operative date, we expect approximately 400 projects the first year and 2,000 workers trained under the program.

Technical Note: the bill does not have an operative date for the tax credit.

	Major Objects of Expenditure							
Class Code	Classification Title	14-15 <u>FTE</u>	15-16 <u>FTE</u>	16-17 <u>FTE</u>	14-15 Expenditures	15-16 Expenditures	16-17 Expenditures	
A49110	Economic Development Business Consultant		0.5	0.5		\$22,062	\$22,592	
						14,839	15,494	
Travel Capital Outlay						10,000	10,000	
	nents.							
Total			•••••	•••••		\$46,901	\$48,086	

LB ⁽¹⁾ 321					FISCAL NOTE
State Agency OR Political Subdivision Name:	Neb	raska Departr	ment of Labo	r	
Prepared by: (3) Kim Schreiner	Date	Prepared: (4) 1	-20-2015	Phone: (5)	402-471-2492
ESTIMATE PRO	OVIDED RY	STATE AGENC	Y OR POLITIC	'AL SURDIVIS	SION
	Y 2015-16	<u>STATE AGENC</u>	<u> </u>	FY 2016	
EXPENDITUR		<u>REVENUE</u>	EXPENDI		REVENUE
GENERAL FUNDS	<u> </u>				
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS	_	_			
TOTAL FUNDS	<u> </u>				
Explanation of Estimate: There will be no	o fiscal impac	t on the Nebrask	a Department o	of Labor.	
BREAKDO Personal Services:	OWN BY MA	AJOR OBJECTS	OF EXPENDIT	<u>rure</u>	-
Personal Services:	NUMBER (OF POSITIONS	2015-	-16	2016-17
POSITION TITLE	<u>15-16</u>	<u>16-17</u>	EXPENDI		EXPENDITURES
Benefits					
Operating					
Travel					
Capital outlay					
Aid					
Capital improvements					
TOTAL					

LB 321 Fiscal Note 2015

		State Agency	Estimate			
State Agency Name: Departmen	t of Revenue				Date Due LFA:	02/09/2015
Approved by: Len Sloup		Date Prepared:	02/09/2015		Phone: 471-5896	
	FY 2015-2016		FY 2016-2017		FY 2017-2018	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$190,166	\$(10,660,000)	\$0	\$(25,370,000)	\$0	\$(25,600,000)
Cash Funds						
Federal Funds					-	
Other Funds						
Total Funds	\$190,166	\$(10,660,000)	\$0	\$(25,370,000)	\$0	\$(25,600,000)

LB 321 (Nebraska Industrial New Job-training Act) allows community colleges and employers to develop job training projects. Each project must be approved by the Department of Economic Development.

Upon approval, the community college and employer must enter into an agreement to establish a project. The community college must notify the Department of Revenue of the project and may begin to issue bonds to fund the project. The community college may then use new withholding payments to pay the debt associated with each project. The agreement may also require contributions by the employer, which are secured by the employer's property; the employer's contributions have equal precedence with ordinary taxes and may not be divested by a judicial sale.

The new job withholding payments are withheld from the employees' wages for state withholding taxes. The new withholding payments are based on wages paid to a new employee: 1.5% of the gross wages paid to new employees paid less than 200% of the Nebraska average wage, or 3% of the gross wages paid to employees earning at least 200% of the Nebraska average wage.

The employer must remit the amount of the new job withholding payments quarterly directly to the community college to pay the principal and interest on bond certificates issued by the community college to finance the project. When the principal and interest on the bond certificates have been paid, the new job withholding payments will be credited to the General Fund of the state. If the amount of the new job withholding payments made by the employer is more than the withholding taxes actually owed by the employer, then the employer will receive a credit against other withholding taxes due from the employer in the amount of the difference.

The community college and employer must respectively certify to the Department of Revenue that the new job withholding payments paid by the employer to the community college are in accordance with the agreement and the amount of new job withholding payments the employer remitted to the community college pursuant to the agreement. The Department may request additional information as necessary.

Major Objects of Expenditure							
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 Expenditures	16-17 Expenditures	17-18 Expenditures
							_
Benefits							<u> </u>
Operating Costs					\$190,166	\$0	\$0
Capital Outlay							,
A: A							
	nts						
Total					\$190,166	\$0	\$0

An employee in a new job shall receive full credit with respect to payment of all withholding taxes due from the employee for the amount of any new job withholding payments made to community colleges.

The community college board of governors must also secure the payment of the bond certificates through the assessment of an annual levy of a standby tax upon all taxable property within the community college area. The levy shall be in addition to all other levies established for the community college, but may not exceed a maximum levy of two cents per one hundred dollars of taxable valuation of property subject to the levy. The annual standby tax levy for each year is to reflect the amount of revenue in the special fund and the amount of principal and interest which is due in that year.

The Department of Revenue must annually report on the amount of new job withholding payments that employers have remitted to community colleges each year and cumulatively, and the total number of agreements entered into under the Nebraska Industrial New Job-training Act each year and cumulatively.

The estimated total reduction to the General Fund would be as follows:

FY 2015-2016	\$ 10,660,000
FY 2016-2017	\$ 25,370,000
FY 2017-2018	\$ 26,110,000
FY 2018-2019	\$ 27,190,000

LB 321 will require a one-time programming charge of \$190,166 paid to the OCIO for mainframe and web development changes.