

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$175,679	(\$230,000)	\$22,120	(\$244,000)
CASH FUNDS		(\$937,865)		(\$942,362)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$175,679	(\$1,167,865)	\$22,120	(\$1,186,362)

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

LB 447 provides for a reduction to Federal Adjusted Gross Income (FAGI). Beginning in tax year 2023, any retired individual over the age of 60 years old as of the end of the taxable year with at least 20 years of full-time service as a firefighter may reduce their FAGI equal by the amount of health insurance premiums paid in the tax year.

Additionally, LB 447 changes the name of the Law Enforcement Education Act to the First Responder Recruitment and Retention Act (Act). Under this new Act, more individuals, in addition to law enforcement officers, now are eligible for a 100% waiver of tuition to any state university, state college, or community college for up to five years. Other individuals that can qualify now include:

- Legal dependents of law enforcement officers
- Professional firefighters
- Legal dependents of professional firefighters

LB 447 makes changes so that a law enforcement officer applying for a waiver after the effective date of the Act is to file with the Department of Revenue (DOR) documentation showing proof of employment as a law enforcement officer and proof of residence in Nebraska each year the officer or officer's legal dependent applies for and receives the tuition waiver. This same process is also to apply to firefighters and their legal dependents.

Revenue:

The DOR estimates the following impact to revenue in the General Fund due to the ability to reduce FAGI under this bill:

- FY23-24: (\$230,000)
- FY24-25: (\$244,000)
- FY25-26: (\$258,000)

There is no basis to disagree with these estimates.

Increasing who is eligible for the tuition waiver is estimated by the University of Nebraska System and State College System to result in a reduction in Cash Fund revenue. The State is not required to reimburse the University of Nebraska and State College Systems for lost tuition revenue under this bill.

The University of Nebraska System estimates the following reductions to its Cash Fund revenue each year:

- FY23-24: (\$761,000)
- FY24-25: (\$761,000)

The State College System estimates the following reductions to its Cash Fund revenue each year:

- FY23-24: (\$512,640)
- FY24-25: (\$528,660)

An estimate is prepared below for the revenue reduction estimated for the University of Nebraska System and State College System based on statistics and assumptions provided by the University of Nebraska System and also the assumption from the State College System that 10% of firefighters and law enforcement will attend college. The estimate of 4,141 law enforcement officers in the state was utilized in the estimate below as a total of the 3,832 full-time officers and 309 part-time officers. The number of firefighters estimated to be utilizing the tuition waivers through the State College System for the biennium has been divided by two so that an equal number of

firefighters plan to utilize the tuition waiver each year. The estimate of \$15,000 has been added to the University of Nebraska System totals below to account for their estimate of revenue reduction as a result of firefighters utilizing the tuition waiver. The revenue reduction for the State College System increases each year due to a projected 3% increase in tuition each year creating a rate of \$192 per credit hour for FY24 and \$197 for FY25.

	State College System	University of NE System
Number of Professional Firefighters in NE	1491	See Narrative
Number of Law Enforcement Officers in NE	4141	
Total	5632	
Assume 10% will go to college	563	
Total First Responders	5632	5632
Estimated First Responders with Children (40%)	2253	2253
Estimated Dependents (*1.94)	4370	4370
Estimated Dependents aged 12-17 (*.34)	1486	1486
Estimated Dependents aged 16-17 (divide by 3)	495	495
Estimated # go to college (*.67)	332	332
Estimated Enrollment of Dependents (*.092;*.37)	31	123
Estimated Additional First Responder Enrollment-Firefighters (*.092;*.37)	7	See Narrative
Total Estimated Enrollment	37	123
Full-time Students (67%)	25	82
Student Credit Hours (SCHs) Per Year	30	30
Total SCHs taken	751	2468
Base SCH Tuition Rate	\$ 192.00	\$ 259.00
Total Cost for Full-time students	\$ 144,277	\$ 639,226
Total Estimated Enrollment	37	123
Part-time Students (33%)	12	41
Student Credit Hours (SCHs) Per Year	12	12
Total SCHs taken	148	486
Base SCH Tuition Rate	\$ 192.00	\$ 259.00
Total Cost for Part-Time Students	\$ 28,425	\$ 125,937
Total Estimated Revenue Reduction from Tuition Waivers-FY24	\$ 172,702	\$ 765,163
Total Estimated Revenue Reduction from Tuition Waivers-FY25	\$ 177,199	\$ 765,163

We assume there will be reductions in tuition revenue at community colleges, too. As community colleges are political subdivisions, any revenue changes to those entities are not reflected in the chart at the top of the Fiscal Note.

Expenditures:

The DOR estimates a one-time charge for programming to be paid to the Office of the Chief Information Officer (OCIO) of \$175,679 to add a line to forms and for the development of a web portal to administer the bill. The DOR estimates the web portal to have additional annual maintenance costs of \$22,120.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 447	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of fiscal impact from LB 447 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 447	AM:	AGENCY/POLT. SUB: Nebraska State College System
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: The Nebraska State College System assessment of fiscal impact from LB 447 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 447	AM:	AGENCY/POLT. SUB: Metropolitan Community College
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the assessment of the Metropolitan Community College's revenue impact from LB 447.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 447	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 2/3/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the University of Nebraska's assessment of the amount of fiscal impact from LB 447. The cash fund impact may be more accurately depicted as a revenue reduction, and a directly corresponding General Fund impact is not articulated by the bill.		

For the increase in tuition waiver eligibility proposed in LB 447, the Department of Revenue (DOR), anticipates minimal reduction in General Fund revenue. Using data on health care premium expenditures for retirees from the Centers for Medicare & Medicaid Services, and approximating the number of retired police officers and firefighters as a percentage of Nebraska retired populations, assuming no changes to estimated and withholding payments, the Department of Revenue (DOR) estimates the following reductions to General Fund revenue.

FY 2023-24	\$	230,000
FY 2024-25	\$	244,000
FY 2025-26	\$	258,000

LB 447 will require a one-time programming charge of \$175,679 paid to the OCIO for adding a line to Schedule I and NebFile, and the development of a web portal for document tracking, reporting and submission. The web portal will require additional annual maintenance costs of \$22,120.

The health insurance premium provision in LB 447 becomes operative for tax years beginning on or after January 1, 2023. The tuition waiver provision becomes operative three months after adjournment.

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 447

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System

Prepared by: ⁽³⁾ Monte Kramer Date Prepared: ⁽⁴⁾ 1-24-2023 Phone: ⁽⁵⁾ 402-471-2507

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	(\$512,640)	_____	(\$528,660)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	(\$512,640)	=====	(\$528,660)

Explanation of Estimate:

The impact of the LB447 is difficult to project, but the population of eligible persons based on the legislation is significant. Based upon our calculations the potential fiscal impact to the NSCS is approximately \$512,640 for FY24, and \$528,660 for FY25. The calculations and assumptions are set forth below. Per NSCS policy, each college is permitted to use a maximum of 22% of its gross tuition for student tuition waivers. Providing additional awards will mean a loss of additional revenue or reducing other waivers which are used to attract students to the colleges. Providing waivers to students can only be done by increasing the cost of education on the other students paying tuition. To replace the lost revenue totaling \$512,640 would require approximately a 1.6% increase cost to tuition or approximately a \$3.00 increase per undergraduate credit or an annual cost increase of \$90.00 per student.

The number of paid professional firefighters in Nebraska according to the State Fire Marshal's website is 1,491 FTE. The number of full-time certified law enforcement officers is 3,832 based on data available from the Nebraska Crime Commission website. For the purpose of calculating the potential impact, we conservatively estimate that only a small number of the law enforcement officers and professional firefighters will pursue a degree, so we have reduced the potential number to only 10% of the total population, or 532 possible waiver recipients.

Given the average family size of 3.07 for Nebraska from the 2020 Census, we have assumed at least one dependent per eligible professional, resulting in another 5,323 potential waiver candidates. Considering not all law enforcement and firefighters ages 25-60 will have college age dependents, we have reduced the dependents by another 36%, accounting for law enforcement and firefighter personnel that are age 38-60. A portion of the dependents would already have degrees, so we have reduced the dependent pool by another 50%, leaving 1,703 dependents eligible for waivers.

Of the total 2,235 potential waivers, we are assuming that only 43.7% of the potential waiver candidates, the same proportion of the Nebraska population with an associates or higher degree, will pursue a degree. Finally, we predict that the NSCS will get the same proportion of the total student population found within the university system, community colleges and the NSCS colleges, as it has today, 9.2%.

The total impact with these assumptions would be a potential 89 students, taking 30 credits each year, at \$192.00 per tuition credit (FY23 Undergraduate Tuition Rate inflated by 3%), for a total impact of \$512,640. The amount will grow each year as tuition rates increase. We have used a 3% tuition estimate for FY25. The waiver amounts are not being offset by other aid awards as the average award, excluding PELL, would be \$2,012, which would only cover fees. The additional revenues from the students would be offset by similar expenses so we have dealt only with the lost revenue to determine the fiscal impact.

Calculation of Potential Impact of LB447

Number of Professional Firefighters in Nebraska	1,491
Number of Certified Law Enforcement	<u>3,832</u>
Subtotal	5,323
Assumptions:	
90% of Law Enforcement and Firefighters Will Not Attend college	<u>(4,791)</u>
Potential Waivers for Law Enforcement and Firefighters	532
Estimate of Firefigher Dependents	1,491
Estimate of Law Enforcement Dependents	<u>3,832</u>
Subtotal	5,323
Assumptions:	
Only 64% of Law and Firefighters Have College Age Dependents	<u>(1,916)</u>
	3,407
50% of Dependents Already Have Degrees	<u>(1,703)</u>
Potential Waivers for Dependents	1,703
Total Population Estimate of Qualified People under LB447	2,235
Proportion of Nebraskans With Associate Degree or Higher	43.7%
Proportion of Students Coming to NSCS Colleges	9.2%
NSCS Potentail Waiver Population	89
Potential Waivers	89
Current Tuition Rate of \$186.00 Inflated by 3% and Rounded	\$192.00

Assuming 30 Credits in One Year	30
Total Impact in FY24	\$512,640

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

Please complete ALL (5) blanks in the first three lines.

2023

LB⁽¹⁾ 447

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Metropolitan Community College

Prepared by: ⁽³⁾ Brenda Schumacher Date Prepared: ⁽⁴⁾ 1/23/2023 Phone: ⁽⁵⁾ (531)622-2406

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(10,000)		(12,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(10,000)		(12,000)

Explanation of Estimate:

Reviewed law enforcement waivers that have been applied and increased amount for expected use by officers and firefighters and anticipated amount of dependents.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2023-24	2024-25
	23-24	24-25	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

Please complete ALL (5) blanks in the first three lines.

2023

LB (1) 0447 Provide an income tax deduction for retired firefighters for health insurance premiums, rename and change provisions of the Law Enforcement Education Act to include tuition waivers for professional fi

FISCAL NOTE

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System

Prepared by:⁽³⁾ Chris Kabourek Date Prepared:⁽⁴⁾ 01/26/2023 Phone:⁽⁵⁾ (402) 472-7102

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2023 - 24		FY 2024 - 25	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>761,000.00</u>	<u>0.00</u>	<u>761,000.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>(761,000.00)</u>	<u>0.00</u>	<u>(761,000.00)</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>761,000.00</u>	<u>0.00</u>	<u>761,000.00</u>	<u>0.00</u>

Explanation of Estimate:

LB447, if passed, would add tuition waivers for professional firefighters and legal dependents of law enforcement officers and professional firefighters.

Determining the fiscal impact is challenging given the many variables involved. We anticipate expanding tuition waivers to the dependents of first responders could be significant. The bill would eliminate the tuition revenue that would have normally been collected from these students.

On the next page is detailed summary of how we calculated the fiscal impact. Again, this estimate could be low or high, and would be impacted by a number of variables.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2023 - 24 <u>EXPENDITURES</u>	2024 - 25 <u>EXPENDITURES</u>
	<u>23 - 24</u>	<u>24 - 25</u>		
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....			<u>761,000.00</u>	<u>761,000.00</u>
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			<u>761,000.00</u>	<u>761,000.00</u>

CALCULATIONS FOR ESTIMATED FISCAL IMPACT OF LB 477 TUITION REMISSIONS FOR FIREFIGHTERS AND DEPENDENTS OF FIRST RESPONDERS

ADDING DEPENDENTS OF FIREFIGHTERS AND LAW ENFORCEMENTS

FULL TIME

Total Paid First Responder Dependents	5,572	(A) See assumption (1) and (2)
Estimated First Responders with Children	2,229	(B) (A) X 40% - see assumption (3)
Estimated Dependents	4,324	(C) (B) X 1.94 - see assumption (4)
Estimated Dependents aged 12-17	1,427	(D) (C) x 34% - see assumption (5)
Estimated Dependents aged 16-17	476	(E) (D) divided by 3
Estimated # go to college	319	(F) (E) x 67% - see assumption (6)
Estimated # enrolled at NU	120	(G) (F) x 37% - see assumption (7)

Estimate: Full-time students %	67%	
Estimated Students	80	2/3rds of Line (G)
Student Credit Hours per Year	30	SCHs
Total SCHs taken	2,400	80 x 30SCHs
UNL Base SCH Tuition Rate	\$ 259	
Total Cost	\$ 622,000	Line G x UNL Base tuition rate

PART TIME

Estimate: Part-time students %	33%	
Estimated Students	40	1/3rd of line (G)
Student Credit Hours per Year	12	SCHs
Total SCHs taken	480	40 x 12SCHs
UNL Base SCH Tuition Rate	\$ 259	
Total Cost	\$ 124,000	

TOTAL FISCAL IMPACT **\$ 746,000**

TOTAL ESTIMATED FISCAL IMPACT

1. Firefighters	\$ 15,000
2. Dependents of Firefighters and Law Enforcement	746,000
TOTALS	\$ 761,000

ASSUMPTIONS

- (1) Paid Firefighters 1,491
<https://sfm.nebraska.gov/fire-departments/general-information>
- (2) Sworn Law Enforcement 4,081 (includes 249 vacant positions)
<https://ncc.nebraska.gov/sites/ncc.nebraska.gov/files/doc/2021%20Law%20Enforcement%20Employment%20Data.pdf>
- (3) Percentage of U.S. adults that have children 40.0%
<https://www.statista.com/statistics/242074/percentages-of-us-family-households-with-children-by-type/#:~:text=In%202021%2C%20about%2040.02%20percent,18%20living%20in%20the%20household.>
- (4) Average number of children under 18 per family in U.S. 1.94
<https://www.statista.com/statistics/718084/average-number-of-own-children-per-family/#:~:text=The%20typical%20American%20picture%20of,18%20per%20family%20in%201960.>
- (5) Estimated % of children ages 12-17 34%
<https://www.childstats.gov/americaschildren/tables/pop1.asp>
- (6) % of Nebraska High School Graduates that go to college 67%
https://ccpe.nebraska.gov/sites/ccpe.nebraska.gov/files/PR_Presentation.pdf
- (7) % of Nebraska College enrollment at NU 37%
https://ccpe.nebraska.gov/sites/ccpe.nebraska.gov/files/FS_2021_Prelim_Enroll.pdf