

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	124,100	(See below)	106,800	(See below)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	124,100	(See below)	106,800	(See below)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 565 would establish the Entertainment and Tourism Development Act. A board consisting of the Governor, State Treasurer and the chairperson the Nebraska Investment Council would review project proposal applications developed by a contracting public body to establish entertainment and tourism development districts. In the event that an eligible area was within or contiguous to a census tract with more than 20% of the families below the poverty line, a community partnership plan would be submitted as a part of the application. The plan would designate a community partner and set forth plans for the development of non-gentrified housing and cultural and educational facilities in the adjacent community area.

State financial assistance to districts could include the following:

- An amount not to exceed 75% of state sales taxes and 100% of local sales taxes collected by hotel within a development district could be applied to the project. This provision would be applicable for 60 months, beginning the month that the project is approved.
- An amount not to exceed 75% of state sales taxes and 100% of all local sales taxes collected within a development project area, beginning the month that the project is approved. This provision would exclude any state and local sales taxes collected by any business that existed prior to the initiation of the development project that still remains after the completion of the development project.

If a community partnership plan was required for a project, 25% of all the financial assistance in all years would be used to carry out the plan. Any financial assistance granted for a project would cease to be available when project bonds were retired or 30 years after the contracting public body first received assistance.

Applications for entertainment and tourism development districts, and for development project plans within the districts, could be filed for two years after the effective date of the act.

Because the scale, cost and timing of projects would depend upon applications made by the contracting public bodies and decisions made by the review board created under LB 500, the impact upon state General Fund revenue collections can not be precisely estimated at this time. The near-term impact to the state would largely be due to the loss of 75% of state sales taxes collected by hotels within development districts and unrealized sales tax revenue from new retail establishments that may be established as the result of development projects. The Department of Revenue estimates that lost and unrealized sales tax revenue may total between \$1,000,000 to \$2,000,000 in the FY07-09 biennium; lost and unrealized revenue in subsequent years may total \$4,000,000 to \$5,000,000 annually.

Local funding sources could include the following:

- Counties containing an entertainment and tourism development district that is outside the boundaries of a municipality with a local option sales tax would be allowed to levy sales and use taxes of .5%, 1% or 1.5% upon transactions within the district. Revenues would be applied to project costs. The total rate of county and municipal taxes could not exceed 1.5%.
- Contracting public bodies would have the power to issue special obligation bonds in one or more series to finance a project.

The impact upon local governments as a result of the above provisions would also vary, depending upon the existing taxation structure in the political subdivision(s), local governing body decisions and any funding modifications that might be made by the review board created in LB 565.

State administrative duties would include:

- The Department of Revenue would annually audit or review audits of the status of development plans, determine the amount of state and local sales taxes collected in the development project area, and notify the State Treasurer on a monthly basis of the amount of financial assistance to be credited to the Entertainment and Tourism Development District Fund.
- The Entertainment and Tourism Development District Fund would be created to hold money received for financial assistance granted to contracting public bodies. The State Treasurer would remit financial assistance to the contracting public bodies on a monthly basis.

The Department of Revenue estimates that administrative expenses would total \$124,100 General Funds in FY07-08 and \$106,800 General Funds in FY08-09. A majority of the costs would be due to the hiring of 2 staff positions to administer and audit the program.

It is estimated that the State Treasurer could make transfers as directed by the Department of Revenue within its existing budget.