Doug Gibbs February 12, 2013 402-471-0051

LB 571

Revision: 01 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to correct error

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)						
	FY 2013-14		FY 20	14-15		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE		
GENERAL FUNDS		See Below		See Below		
CASH FUNDS		See Below		See Below		
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		See Below		See Below		

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

LB 571 creates the Community Enhancement Financing Assistance Act.

The bill would provide state assistance to local building projects in the form of state sales tax turnback. The bill has an operative date of October 1, 2013.

Eligible projects are defined as any new or revitalizing project which is intended primarily to provide cultural, recreational, educational, or public purposes which will enhance the quality of life in the community.

Eligible applicants include political subdivisions, which are defined as any city, village, or county; public postsecondary educational institutions; nonprofit corporations acting on behalf of a political subdivision or public postsecondary educational institution; or any combination of the aforementioned.

The state sales tax turnback applies to tax collected by retailers doing business at the project, admissions to the facility, and from new or increased sales tax collected by nearby retailers. The turnback zone is to be determined by the board created by the bill to approve or disapprove projects. The board consists of the Governor, State Treasurer, chairperson of the Nebraska Investment Council, chairperson of the Nebraska State Board of Public Accountancy, and a professor of economics.

The board is also to determine parameters for the establishment of the turnback zone by rule and regulation. The board is considered a part of the Department of Revenue for administrative purposes.

An applicant seeking state assistance is to apply to the board after a majority vote of the governing board of the applicant. In addition, at least one-third of the cost of the project shall be paid from private funds. The amount of state assistance cannot be more than the amount paid for the project from private funds. State assistance may not be used for operating funds or to provide an ancillary facility. The total amount of state assistance per project is also limited to the lesser of a) \$60,000,000 or b) an amount equal to the private funds expended on the project. State assistance may not be paid out for more than twenty years after first issuance of an obligation.

The bill also provides restrictions on applicants that have previously received assistance under the Civic and Community Center Financing Act and the Sports Arena Facility Financing Act, in that they may not receive assistance under this Act for the same project.

The Department of Revenue estimates that LB 571 will have a negative impact on the state's General Fund. However, they are unable to estimate total impact because the number and location of potential projects are unknown. The possible size of any turnback zone is also unknown. Based on two projects being considered in Omaha by UNO, the Department has provided the following as an example of potential impact:

		State Highway Capital	Highway Allocation Fund:
Fiscal Year:	General Fund Impact:	Improvement Fund:	(County & City)
2013-14:	(\$ 31,000)	(\$ 5,000)	(\$ 1,000)
2014-15:	(\$ 1,494,000)	(\$60,000)	(\$ 11,000)
2015-16:	(\$ 1,501,000)	(\$61,000)	(\$ 12,000)
2016-17:	(\$ 516,000)	(\$21,000)	(\$ 4,000)

We disagree with the Department's estimate of fiscal impact. However, we agree with the Department on the difficulty of estimating the possible impact given the number of unknowns, especially the potential size of any sales tax turnback zone and the number of potential applicants. It should also be noted that this legislation would apply statewide and to the University, State College, and community college systems. The potential for use and fiscal impact is large.

Based on information available to the Fiscal Office we believe that LB 571 has the following potential fiscal impact:

		State Highway Capital	Highway Allocation Fund: (City		
Fiscal Year:	General Fund Impact:	Improvement Fund:	& County)		
2013-14:	(\$ 51,550)	(\$ 9,750)	(\$ 1,700)		
2014-15:	(\$1,994,850)	(\$ 80,750)	(\$ 14,250)		
2015-16:	(\$2,069,350)	(\$ 83,170)	(\$ 14,675)		
2016-17:	(\$2,131,450)	(\$ 85,700)	(\$ 15,120)		

State Agency Estimate							
State Agency Name: Department of	Revenue				Date Due LFA:	02/08/2013	
Approved by: Douglas Ewald		Date Prepared:	02/07/2013		Phone: 471-5896		
	FY 2013	3-2014	FY 2014	4-2015	<u>FY 20</u>	15-2016	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		(See Below)		(See Below)		(See Below)	
Cash Funds		(See Below)		(See Below)		(See Below)	
Federal Funds							
Other Funds							
Total Funds		(See Below)		(See Below)		(See Below)	

LB 571 (Community Enhancement Financing Assistance Act) provides turnback of state sales tax for any new or revitalizing project to provide cultural, recreational, educational, or public purposes that will enhance the quality of life in the community. The applicant can be a political subdivision, a public postsecondary educational institution, a nonprofit corporation acting on behalf of a political subdivision or public postsecondary educational institution, or any combination of these entities. The turnback applies to state sales tax collected by retailers doing business at the project, admissions to the facility, and from new or increased sales tax collected from nearby retailers. An applicant can receive 100% of the state sales tax generated at the project from retailers that began first collecting state sales tax prior to 24 months prior to the date the eligible project begins; other existing retailers would generate 70% of increased state sales tax collected by nearby retailers located within the "turnback zone." The turnback zone is not statutorily defined and is to be proposed by the applicant, but ultimately determined by a board consisting of the Governor, State Treasurer, the chairperson of the Nebraska Investment Council, the chairperson of the Nebraska State Board of Public Accountancy, and a professor of economics. The board is also to establish parameters for the establishment of the project turnback zone by rule and regulation. For administrative and budget purposes only, the board is considered a part of the Department.

LB 571 would have a negative impact on the state General Fund, but it is impossible for the Department to estimate the total impact at this time because the number and location of potential projects are unknown as well as the size of the turnback zone. However, LB 571 would have the following impact assuming that the two projects being considered in Omaha by UNO are approved:

Fiscal Year	General Fund Impact	State Highway Capital	Highway Allocation Fund	
		Improvement Fund		
FY 2013-14	(\$ 131,000)	(\$ 5,000)	(\$ 1,000)	
FY 2014-15	(\$ 1,494,000)	(\$ 60,000)	(\$ 11,000)	
FY 2015-16	(\$ 1,501,000)	(\$ 61,000)	(\$ 12,000)	
FY 2016-17	(\$ 516,000)	(\$ 21,000)	(\$ 4,000)	

Major Objects of Expenditure							
<u>Class Code</u>	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>
Benefits	Benefits						
Operating Costs	Operating Costs						
Travel	Travel						
Aid							
	3						

The Department's estimate assumes both projects include a 600 yard turnback zone that does not overlap and both facilities open in the summer of 2016. The decrease in General Fund revenue would include losses in new sales tax revenue from new businesses, increased sales tax revenue from existing businesses, sales tax revenue from materials used in construction of the projects, and sales tax revenue from admission and concession proceeds from the completed venues.

It is estimated that there will be minimal costs to the Department to implement the bill.

LB 571 would be operative October 1, 2013.