

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2020-21</b>		<b>FY 2021-22</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	100,000		100,000	
CASH FUNDS		25,000		0
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>100,000</b>	<b>25,000</b>	<b>100,000</b>	<b>0</b>

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

LB 1084 would establish the Nebraska Transformational Project Act. The Department of Economic Development would be authorized to accept applications for projects that would total at least one billion dollars at one qualified location that would carry out the requirements described in Title VII, Subtitle C, section 740 of Public Law 116-92 (National Disaster Medical System Act). Eligible applicants would include the University of Nebraska, the state colleges, community colleges and political subdivisions. Projects would require three hundred million dollars in private matching funds, which under the act, would include donations from individuals, nonprofit organizations and nongovernment organizations. The project application fee would be \$25,000 and would be deposited in the Nebraska Transformational Project Fund.

The Nebraska Transformational Project Fund would be created to receive the application fee and state funds to match the private donations. LB 1084 provides that the fund would receive 1% of the state tax receipts in the prior fiscal year. The first transfer would occur in FY22-23 and would continue in each fiscal year thereafter for purposes of carrying out the Nebraska Transformations Projects Act. The Department of Revenue estimates that \$53,350,000 would be transferred into the fund in FY22-23, assuming that 1% of the net General Fund state tax receipts were the basis for the calculation. However, because LB 1084 does not define parameters for state tax receipts, the amount of funding could be larger than what is estimated by the Department of Revenue, because taxes are also deposited in cash funds.

It is estimated that the transfers as shown above would be considered a General Fund revenue decrease, as the funds would be transferred out of the General Fund and into the Nebraska Transformational Project Fund. If tax receipts not deposited in the General Fund were also subject to the transfer, there could be a revenue loss to various cash funds across state government. The fund creation language does not specify the agency that would administer the fund or specifically how the funds would be released for use by the project sponsor. The loss of General Fund revenue and use of the Nebraska Transformation Project Fund is not shown at the top of this page because the transfers would begin in FY22-23.

The Department of Economic Development would incur costs to develop the application process, conduct application reviews, enter into agreements with approved applicants, ascertain matching fund compliance, conduct project audits and provide reports to the Legislature. There is no basis to disagree with the department's estimate of hiring 1 FTE auditor to carry out the administration and auditing functions. Costs would total approximately \$100,000 to \$110,000 annually. Because LB 1084 has a January 1, 2021 operative date, staffing and administrative expenses would be incurred beginning in FY20-21.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 1084	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 2/5/2020	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of fiscal impact from LB 1084 and assessment of uncertainty regarding articulated transfers appears reasonable.		

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 1084	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 2/4/2020	PHONE: (402) 471-4179
<p>COMMENTS:</p> <p>The bill makes no reference to General Fund. Sec. 28 expresses intent to transfer to the Nebraska Transformational Project Fund "one percent of the state tax receipts", not just General Fund gross or net tax receipts. This amount would be greater than the assumption articulated in the Department of Revenue assessment of fiscal impact from LB 1084.</p>		

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
LB: 1084	AM:	AGENCY/POLT. SUB: University of Nebraska
REVIEWED BY: Neil Sullivan	DATE: 2/3/2020	PHONE: (402) 471-4179
<p>COMMENTS:</p> <p>The bill makes no reference to General Fund. Sec. 28 expresses intent to transfer to the Nebraska Transformational Project Fund "one percent of the state tax receipts", not just General Fund gross or net tax receipts. This amount is greater than the \$50 million per year articulated by the University of Nebraska's assessment of fiscal impact from LB 1084.</p> <p>Sec. 19 provides the state shall pay the University "on an annual basis, even if the project has not yet reached \$1 billion in total investment or \$300 million in private dollars donated".</p>		

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

**2020**

**LB<sup>(1)</sup> 1084**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Economic Development

Prepared by: <sup>(3)</sup> Tony Goins Date Prepared: <sup>(4)</sup> 2/3/2020 Phone: <sup>(5)</sup> 402-471-3777

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$109,570		\$104,250	
CASH FUNDS		\$25,000		
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>\$109,570</u>	<u>\$25,000</u>	<u>\$104,250</u>	

**Explanation of Estimate:**

LB1084 creates the Nebraska Transformational Projects Act. The act allows for a qualified applicant pursuing a partnership with the federal government under Title VII, Subtitle C, section 740 of Public Law 116-92, a pilot program on civilian and military partnerships to enhance interoperability and medical surge capability and capacity of National Disaster Medical System, to receive up to \$300 million in state matching funds. The state matching funds are to match \$300 million in private funds received or pledged to the applicant. In order to qualify for state funds the project must involve total new investment of at least \$1 billion, with an economic impact to Nebraska of at least \$1.7 billion during the planning and construction period and at least \$2 billion during a ten-year period beginning with approval of an application. Eligible applicants include The University of Nebraska, a state college, community college, natural resources district, city, county, school district, learning community, public power district, other unit of local government, or entity created pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. Investment and private donations must be made within 10 years of the application and maintained for an additional 5 years. If the investment or the private matching fund levels are not met or maintained, the state matching funds must be repaid. Applications will be accepted until December 31, 2030.

The Department of Economic Development (DED) director will be responsible for administering the act. This includes accepting, and approving or denying applications; entering into written agreements with successful applicants; interpreting the act; disbursing state matching funds, and enforcing repayment of matching funds; audits; reporting to the legislature; and providing formal hearings to resolve any disputes with the applicant. LB1084 also creates a cash fund called the Nebraska Transformational Project Fund. The fund may accept money from application fees collected under the act, appropriations from the Legislature, grants, private contributions, repayments of matching funds and other sources. The bill also contains intent language to transfer 1% of state tax receipts received in the prior fiscal year to the new fund, beginning in FY2022-23 and for each year thereafter until the \$300 million is reached for each qualified applicant. Transfers from the Nebraska Transformational Project Fund to the applicant will be made on an annual basis even if the total investment has not reached \$1 billion, or the \$300 million in private funds has not been donated. There is a \$25,000 nonrefundable application fee to be remitted to the State Treasurer that will be credited to the new fund. The bill has an operative date of January 1, 2021.

An audit is to be part of the annual report on the program and is to satisfy the requirements set by the Governmental Accounting Standards. Assuming an annual audit of the program, with results to be included in the annual report, DED will require the services of an auditor, or contract with an outside auditing firm to perform this work. In addition, the department will have an estimated \$50,000 on-time expense for grant management software.

The bill as drafted does not define "state tax receipts," so it is unclear whether this means only General Fund taxes or other taxes. If all state taxes are included, LB1084 would reduce Documentary Stamp taxes by an

estimated \$211,000 in FY2022-23. This would reduce funds available for the Affordable Housing Trust Fund and Site and Building Development Fund, two programs administered by DED, by an estimated \$114,500 and \$30,000, respectively. It is also unclear whether the taxes transferred under LB1084 are gross or net taxes.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Audit Senior	0.5	1.0	\$30,000	\$61,320
Benefits.....			11,970	24,530
Operating.....			56,000	12,270
Travel.....			3,000	6,130
Capital outlay.....			8,600	0
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$109,570</b>	<b>\$104,250</b>

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA:	
Approved by: Tony Fulton		Phone: 471-5896	
Date Prepared:			
	<b>FY 2020-2021</b>	<b>FY 2021-2022</b>	<b>FY 2022-2023</b>
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>
			<u>Revenue</u>
General Funds			\$53,350,000
Cash Funds			\$0
Federal Funds			
Other Funds			
Total Funds			\$53,350,000
			\$0

LB 1084 creates the Nebraska Transformational Projects Act (Act) to be administered by the Department of Economic Development. The Act allows applicants investing at least \$1 billion to carry out a project related to the federal pilot program on civilian and military partnerships to enhance interoperability and medical surge capacity of the National Disaster Medical System and procures at least \$300 million in private donations to receive matching funds from the State in the amount of \$300 million. An applicant may include University of Nebraska, a State college, community college, natural resources district, city village, county, school district, learning community, public power district, other unit of local government, or entity created pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. To participate, an application must be filed with the Department of Economic Development along with a \$25,000 application fee. The investment and private donations must be made within 10 years of application and maintained for an additional 5 years. If the investment or donations are not met or maintained, the matching funds must be repaid. Applications will be accepted on or before December 31, 2030.

The total matching funds paid by the State for any fiscal year cannot exceed one percent of the State tax receipts in the prior fiscal year. If all projects under the act cannot be paid in full for any year, the available matching funds will be allocated and dispersed proportionately among the applicants based on the amount of matching funds that would be due to the applicant for that year. Any deferred, unpaid matching funds will be paid in later years until fully funded. The State makes the payments on an annual basis. Applicants cannot accrue interest on matching funds. The bill requires that matching funds are considered a tax expenditure for State fiscal analysis purposes.

The bill also creates the Nebraska Transformation Project Fund. The fund receives application fees paid under the Act and appropriations from the legislature, grants, private contributions, and repayments of matching funds.

The bill states that it is the intent of the Legislature to transfer one percent of State tax receipts received in the prior fiscal year to the Nebraska Transformation Project Fund for fiscal year 2022-23 and for each fiscal year thereafter. It is unclear if this is intended to mean net tax receipts or gross tax receipts. Any money remaining in the fund after all obligations have been met for all projects will be returned to the General Fund.



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

**2020**

**LB<sup>(1)</sup> 1084**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska State College System (NSCS)

Prepared by: <sup>(3)</sup> Carolyn Murphy Date Prepared: <sup>(4)</sup> 01/28/2020 Phone: <sup>(5)</sup> 402-471-2505

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>

Explanation of Estimate:

LB1084 creates the Nebraska Transformational Projects Act. No fiscal impact to the NSCS.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____

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

**2020**

**LB<sup>(1)</sup> LB 1084**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> University of Nebraska

Prepared by: <sup>(3)</sup> Michael Justus Date Prepared: <sup>(4)</sup> January 22, 2020 Phone: <sup>(5)</sup> 402-472-7109

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

Explanation of Estimate:

If LB 1084, the Nebraska Transformational Projects Act, is passed and the University of Nebraska application for the project is approved, the University would receive \$50 Million per year from the General Fund for six years starting in FY 2022-23. In order to receive the appropriation, the University would: (a) invest at least \$1 Billion in new construction and new equipment (within 10 years of the Application Date) in a facility that carries out the Federal Pilot Program requirements, (b) raise at least \$300 Million in private dollars for the project (within 15 years of the Application Date) from individuals, Section 501(c) organizations and/or non-governmental organizations, and (c) receive Federal funds for this project.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefit @27%.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>