Keisha Patent February 01, 2022 402-471-0059

LB 1093

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)									
	FY 202	2-23	FY 2023-24						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE					
GENERAL FUNDS		(\$0 - \$1,200,000)		(\$0 - \$1,200,000)					
CASH FUNDS	\$0 - \$375,000	\$0 - \$375,000	\$0 - \$375,000	\$0 - \$375,000					
FEDERAL FUNDS									
OTHER FUNDS									
TOTAL FUNDS	See below	See below	See below	See below					

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

LB 1093 adopts the Enhancement Project Financing Assistance Act.

LB 1093 provides that villages within 5 miles of a Nebraska state park can apply for state financial assistance to help pay for an enhancement project, not to exceed 50% of the final cost. Enhancement projects are outlined, including road improvements, housing development, etc.

The Department of Economic Development (DED) is to administrate the Act. Applicants must provide financial information related to the project. After receiving all of the necessary information, DED will provide public notice for local interested parties to participate in a public hearing on the matter. After the hearing, DED will decide whether the state assistance is warranted and approve or deny the application.

A turn back tax is created for approved applicants. The Department of Revenue is to calculate and certify quarterly the amount of sales tax revenue collected in the program areas. This revenue is to be remitted to the Enhancement Project Support Fund. Sales tax revenue collected from program areas are to be certified and remitted to the Fund. The amount to be turned back to applicants must be appropriated by the Legislature, and is not to exceed 70% of the sales tax revenue collected in the program area. Distributions are to be made quarterly.

After 10 years have passed, the amount redistributed to villages receiving assistance each year cannot exceed the highest annual amount distributed in the first 10 years. If this cap is set under 70% of sales tax revenues, those additional funds would be transferred to the General Fund.

Each approved applicant can receive a maximum of \$7 million in state assistance. No assistance is to be paid out after 20 years from the first bond issued for the enhancement project.

The remaining 30% of sales tax revenues collected is to be distributed as follows:

- 83% transferred to the Support the Arts Cash Fund; and
- 17% transferred to the Convention Center Support Fund

The bill provides for the issuance of additional village bonds to fund or refinance enhancement projects. Such bonds are to be exempt from state income taxes, and must have a term of 20 years of less. The deadline for accepting applications is June 30, 2023. DED can adopt and enforce rules and regulations related to the Act.

REVENUE:

The Department of Revenue estimates there are 8 villages within five-mile radius of the 8 Nebraska state parks. In tax year 2020, the average sales tax collected in each of these 8 villages was \$155,000. If LB 1093 had been effective in FY19-20 and all 8 villages undertook a qualifying project, the General Fund revenue loss due to the provisions of the bill would have been approximately \$1,200,000. About \$375,000 would flow to the Convention Center Support Fund (17%) and the Support the Arts Cash Fund (83%) for the purposes of those cash funds.

The overall revenue loss to the General Fund and the corresponding Cash Fund revenue gain will depend on the number of villages that apply under the act, but it is reasonable to assume that all villages eligible will do so. We estimate that an amount up to \$1.2 million in General Fund revenue loss could occur due to the provisions of LB 1093.

The provisions of LB 1093 do have a negative impact on the portion of sales tax allocated to the Highway Capital Improvement Fund and the Highway Allocation Fund. One-fourth of 1% of state sales tax is diverted to these funds. The reduction in these two funds is estimated to be minimal.

EXPENDITURES:

The Department of Revenue and Nebraska Arts Council responded that LB 1093 will have minimal costs to implement. The Department of Transportation will have no costs. The Department of Economic Development, which administers the act, estimates minimal costs that can be absorbed within their existing appropriation, if there is one applicant, but it is implied the agency could have additional administrative costs if several villages apply under the act.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1093 AM: AGENCY/POLT. SUB: Department of Revenue

REVIEWED BY: Neil Sullivan DATE: 2/4/2022 PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Revenue assessment of fiscal impact from LB 1093.

<u>Technical Note</u>: Transfer language does not appear to sufficiently articulated the timing of the transfer of excess funds to the General Fund.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 1093 AM: AGENCY/POLT. SUB: Arts Council						
REVIEWED BY:	: Neil Sullivan	DATE: 2/3/2022	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the Arts Council assessment of indeterminate fiscal impact from LB 1093.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 1093	LB: 1093 AM: AGENCY/POLT. SUB: Department of Transportation						
REVIEWED B	Y: Neil Sullivan	DATE: 2/7/2022	PHONE: (402) 471-4179				
COMMENTS: No basis to disagree with the Department of Transportation assessment of no fiscal impact from LB 1093.							

LB 1093 Fiscal Note 2022

State Agency Estimate								
State Agency Name: Department	of Revenue				Date Due LFO:			
Approved by: Tony Fulton		Date Prepared:	2/4/2022		Phone: 471-5896			
FY 2022-202		-2023	FY 2023-2024		FY 2024-2025			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds		See below		See below		See below		
Cash Funds	See below							
Federal Funds								
Other Funds								
Total Funds	See below	See below		See below		See below		

LB 1093 would adopt the Enhancement Project Financing Assistance Act (Act) which would allow any village in Nebraska within five miles of a Nebraska state park that has undertaken an enhancement project; approved a revenue bond issued or a general obligation bond issued to finance an enhancement project; or adopted a resolution authorizing the applicant to pursue a general obligation bond issued to finance an enhancement project may apply to the Department of Economic Development for state assistance.

Under the proposed Act, if an application is approved, the Tax Commissioner will determine the eligible state sales tax revenue collected by retailers doing business in the program area; and certify annually the amount of eligible state sales tax revenue. Eligible state sales tax revenue collected by retailers doing business in the program area must be reported on informational returns developed by the Department of Revenue (DOR) and provided to retailers by the applicant. The informational returns must be submitted to DOR by the retailer by the 20th day of the month following the month the sales taxes are collected. The Tax Commissioner will use data from the informational returns and the sales tax returnes of the retailers to certify quarterly, for each enhancement project for which state assistance has been approved, the total amount of eligible state sales tax revenue that was collected in the preceding calendar quarter. The Tax Commissioner will certify this amount to the State Treasurer within 60 days after the end of each calendar quarter, and the certification will be used for purposes of making the transfers required under the act and making the quarterly distributions of state assistance.

Of the eligible state sales tax revenue collected, a maximum of 70% will be allocated back to the applicant, up to a maximum of 50% of the enhancement project cost, not to exceed \$7 million over 20 years. The remaining 30% of eligible state sales tax will be allocated to the Support the Arts Cash Fund (83%) and the Convention Center Support fund (17%).

The impact to the General Fund revenues are undeterminable due to the difficulty of projecting the size and number of projects that will be undertaken by the villages. For perspective, DOR estimates that there are eight villages within the 5-mile radius of the eight Nebraska state parks, which brought in an average of approximately

Major Objects of Expenditure								
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures	
Operating Costs	Benefits							
Capital Outlay								

LB 1093 page 2 Fiscal Note 2022

\$155,000 in sales tax in tax year 2020. If, under the proposedlegislation, each of the qualifying villages undertook a project in FY 2019-2020, General Fund revenues would have been reduced by \$1.2 million.

It is estimated that there will be minimal costs to DOR to implement this bill.

LB (1)	1093							FISCAL NOTE
State Ag	gency OR P	olitical Su	bdivision Name:	(2) Arts	Council			
Prepare	ed by: (3)	Michael	Markey	D	ate Prepared: (4)	1/26/2022	Phone: (5)	(402) 595-2195
		ES	STIMATE PRO	OVIDED B	SY STATE AGEN	NCY OR POLIT	ICAL SUBDIVIS	ION
		,	<u> </u>	<u>FY 2022-2</u> FS	2 <u>3</u> REVENUE	FYPFNI	<u>FY 2023</u> DITURES	- <u>24</u> REVENUE
GENEI	RAL FUNI		EXT ENDITOR	<u>.E.S</u>	See below	EXI EN	<u> DITURES</u>	See below
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TOTAL	L FUNDS		See below		See below	See	below	See below
Explana	ation of Es	stimate:		•				
	what that timated, a		ne, that there v	will be m	inimal costs to	the agency to	implement this b	oill.
	1.0		BREAKDO	OWN BY	MAJOR OBJECT	S OF EXPEND	<u>DITURE</u>	
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Capital	outlay							
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Capital	improven	nents						
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LB ⁽¹⁾ 1093	3				FISCAL NOTE					
State Agency OR 1	Political Subdivision Name:	Nebraska Departi	Nebraska Department of Transportation							
Prepared by: (3)	Jenessa Boynton	Date Prepared: ⁽⁴⁾	2/2/2022	Phone: (5)	402-479-4691					
	ESTIMATE PRO	OVIDED BY STATE AGE	NCY OR POLITICA	AL SUBDIVIS	ION					
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CASH FUNDS										
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Capital outlay										
Aid										
Capital improve	ments									
TOTAL										

TOTAL.....

LB (1)	1093	3									FIS	SCAL	NOTE
State Ag	ency OR I	Political Si	ubdivision Name:	Neb	raska	Departr	nent o	f Econ	omic	Devel	opme	nt	
Prepare	d by: (3)	Dave D	earmont earmont	Da	ate Pre	pared: ⁽⁴⁾	1/31/2	22		Phone	: (5) 4	02-471-3	777
		ES	STIMATE PRO	VIDED BY	Y STAT	ΓE AGEN	CY OR	POLIT	ICAL S	SUBDI	VISIO	N	
				FY 2022-9							2023-2		
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