

PREPARED BY: Clinton Verner  
 DATE PREPARED: February 7, 2022  
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**LB 699**

Revision: 00

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB699 appropriates \$100,000,000 in FY21-22 of American Rescue Plan Act Coronavirus State Recovery Funds to the Nebraska Department of Economic Development for the purpose of awarding grants to improve the technology infrastructure in Nebraska.

Actual costs are dependent upon how efficiently the Department of Economic Development is able to award grants. No basis to disagree with the Department's estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 699	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Patrick Redmond	DATE: 2/7/2022	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Economic Development assessment of fiscal impact from LB 699. The maximum funding available under the federal Coronavirus State Fiscal Recovery Fund is \$1.04 billion, of which only \$520 million is currently available. Appropriation of these funds must be balanced in aggregate in order to avoid over obligation.			

**Estimate Provided by Agency or Political Subdivision**

State Agency OR Political Subdivision Name:		Dept. of Economic Development				
Prepared by: Dave Dearmont		Date Prepared: 1/12/2022		Phone: 471-3777		
	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds						
Cash Funds						
Federal Funds	\$38,370		\$7,500,000		\$15,000,000	
Other Funds						
<b>Total Funds</b>	<b>\$38,370</b>		<b>\$7,500,000</b>		<b>\$15,000,000</b>	

**Explanation of Estimate:**

LB699 would appropriate \$100,000,000 of the federal funds allocated to the state in the American Rescue Plan Act of 2021 (ARPA) to DED for the purpose of creating a grant program for projects that enhance innovation and technology infrastructure in Nebraska. The department would create a grant program to award and administer grants. The bill would require that the program designed by DED would be coordinated and administered in compliance with the provisions of ARPA.

The bill carries the emergency clause, and the funds are assumed to be appropriated to DED in FY2021-22. ARPA funds must be allocated to the beneficiaries by December 31, 2024 and spent by December 31, 2026. The department assumes that the funds would be distributed on a reimbursement basis, and that all funds would be awarded by the end of 2024, and grants distributed for qualified expenses by 12/31/2026.

It is not clear at this time how many grants or at what size would be offered under this program, but based on another programs, and the dates for allocation and completion set in ARPA, the department believes that the grant payments would be distributed approximately 7.5%, 15%, 35%, 35% and 7.5% in fiscal years 2022-23 through 2026-27, respectively.

Based on the requirements of a nearly \$110 million federal grant received by DED, the department will require the services of an Economic Development Manager, a Federal Aid Administrator, three Economic Development Business Consultants, an Attorney II, an IT Business Systems Analyst and an Internal Auditor. LB699 contains the emergency clause, and DED assumes that some hiring will occur in FY2021-22.

Also included in operating costs are licensing fees for DED’s grant management software of \$113,670, and additional rent of \$18,600 annually, beginning in FY2022-23.

**Technical Note:** LB699 appears to be directed at helping businesses which experienced negative economic impacts of COVID-19. The regulations and guidance promulgated by the U.S. Department of the Treasury has established the procedure by which the state can assist impacted and disproportionately impacted businesses. The state must identify an economic harm caused or exacerbated by the pandemic on a small business or class of small businesses to provide responsive programs or services. Then the state would need to select a response designed to address the identified economic harm. Responses must be related and reasonably proportional to the extent and type of harm experienced. Treasury has indicated that uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses. The guidance also points out that the broader the definition of the group, the harder it typically is to demonstrate a shared harm and thereby less possible to designate a related and proportioned response.

**Major Objects of Expenditure**

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
G49550	Economic Development Manager	0.10	1.00	1.00	\$6,460	\$66,210	\$67,860
A19613	Federal Aid Administrator III	0.00	0.00	0.50	0	0	32,680
A49011	Economic Dev. Business Consultant I	0.00	2.00	3.00	0	166,120	178,540
G31112	Attorney II	0.20	1.00	1.00	6,770	69,410	71,140
A07081	IT Business Systems Analyst	0.00	0.25	0.50	0	15,500	31,780
G21200	Internal Auditor	0.00	0.00	1.00	0	0	72,960
	<b>Total</b>	<b>0.20</b>	<b>4.25</b>	<b>7.00</b>	<b>\$13,230</b>	<b>\$317,240</b>	<b>\$454,960</b>
Benefits.....					5,290	106,900	181,980
Operating Costs.....					2,650	336,080	223,860
Travel.....					0	26,720	45,500
Capital Outlay.....					17,200	17,200	17,200
Aid.....					0	6,695,860	14,067,500
Capital Improvements.....							
<b>Total.....</b>					<b>\$38,370</b>	<b>\$7,500,000</b>	<b>\$15,000,000</b>