

Revised to reflect AM1880, FA149, AM1835, AM1757, AM1789, AM1771, and AM1838

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$10,000,000			
CASH FUNDS	\$1,000,000	(See below)	\$1,106,810	(See below)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$11,000,000	(See below)	\$1,106,810	(See below)

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

AM1880 strikes the original sections and prior amendments to LB531. As amended by AM1880, LB531 contains the following bills:

LB33

Provides for the mayor of a city of the first class to vote on any matter which requires a majority vote of the city council or a majority vote of all the elected members under conditions described in the bill. No fiscal impact.

LB45

LB45 establishes the Revitalize Rural Nebraska Grant Program and Revitalize Rural Nebraska Fund within the Nebraska Department of Environment and Energy (NDEE). LB45 directs NDEE to award grants to cities of the first and second classes and villages with discretion of the Director of NDEE to promulgate rules and regulations surrounding awarding of grants.

LB45 creates a transfer of \$1,000,000 from the Cash Reserve Fund to the Revitalize Rural Nebraska Fund in FY22-23.

LB45 provides for remittance of funds back to the state should cities and villages be unable to engage in demolition of commercial properties, however the number and timing of awards and remittances is unknown, as such we cannot provide a full cash fund revenue and expenditure estimate.

We estimate an administrative burden of one FTE for the first year and .5 FTE for the second year for a total operating cost of \$66,794 cash funds in FY23-24 and \$35,067 cash funds in FY24-25.

LB98

LB98 amends the redevelopment plan input process for cities in the following ways:

- After a public hearing and upon receipt of recommendations from the planning commission or board, allows the governing bodies of cities to declare that substandard and blighted conditions in the area under study;
- After declaring such areas substandard and blighted, may declare by resolution such area to be substandard and blighted without further public hearing;
- Cities that elect to allow expedited reviews of redevelopment plans may establish by resolution an annual limit on the number of such redevelopment plans that may be approved by the governing body;
- Strikes the requirement for redevelopers to submit any building permit or other permits necessary to complete the redevelopment project along with the redevelopment plan;
- Sets new conditions upon which a redevelopment may be denied;
- Makes the changes in this legislation retroactive; and
- Allows for cities that elect to allow expedited review of redevelopment plans to revoke such election at any time.

Designation of substandard and blighted zones allows the parcels within the zones to be considered eligible for TIF, which results in lower property tax valuation in the city for a period of time. A reduction in property tax valuation in an equalized school district may require increases in state General Fund expenditures for equalization aid pursuant to TEEOSA. This legislation may expedite the process by which such designation occurs. However, the timing and magnitude of projects that could be affected by this legislation is indeterminate, and as a result, any resulting increase in TEEOSA aid is also indeterminate.

LB170

LB170 strikes the definition of blighted area in 58-209.01 and replaces it with the definition provided in 18-2102. This would add: "A redevelopment project involving a formerly used defense site as authorized under section 18-2123.01 and any area declared to be an extremely blighted area under section 18-2101.02 shall not count towards the percentage limitations contained in this subdivision;" to the definition of blight under 58-209.01.

No fiscal impact.

LB223

LB223 changes the reporting requirements regarding affordable housing plans. Cities would have to include in their report efforts to implement an affordable housing action plan after such plan is adopted and would have to submit their report to the Clerk of the Legislature. No fiscal impact.

LB342

LB 342 changes provisions related to home inspector registration so inspectors may apply to renew registrations by submitting a renewal application to the Secretary of State within forty-five days prior to the expiration of the current registration. Registrations are valid for two years.

The Secretary of State estimates that the timing of renewal fees may be received in different fiscal years than they are currently anticipated. There is no plan to change the current fees, so the overall Cash Fund revenue will not be affected. There are currently 14 registrations. Any changes related to when fees are received will be minimal.

LB531

- Amends the Perkins County Canal Project Fund to have interest be credited to the Economic Recovery Contingency Fund;
- Amends the Nebraska Capital Construction Fund to have interest from transfers related to the construction of a new state prison to be credited to the Economic Recovery Contingency Fund;
- Amends the Rural Projects Act to:
 - o Allow for site acquisition and preparation and rail spur construction within thirty miles of the largest reservoir in the state to be an eligible project expense under the act;
 - o Allows for projects eligible under the above-described section to be entitled to receive up to five million dollars of matching funds from the State of Nebraska without making any investment in the project;
- Creates limitations on the amount of iHubs that can be designated in each Congressional district;
- Adds a priority for the department when evaluating applications for an iHub designation;
- Creates a geographic standard of three miles apart for iHubs within a city of the metropolitan class;
- Makes the following changes to the Economic Recovery Act:
 - o Defines economic redevelopment area under the act;
 - o Requires grants awarded under the Economic Recovery and Incentives Division of the Department of Economic Development to pay a grantee an advance of 50% of the total grant awarded with remaining funds paid on a monthly basis until the grant is paid in full or by 12/31/2026;
 - o Creates new eligible activities associated with preparation of land parcels;
 - o States that grants awarded using state funds under the act are subject to the intent and basic parameters but not time restrictions under the American Rescue Plan Act of 2021;
 - o Allows for interest earned by the Economic Recovery Contingency Fund to be credited to the fund;
 - o Allows for interest from the Perkins County Canal Project Fund and the Nebraska Capital Construction Fund to be credited to the Economic Recovery Contingency Fund;
 - o Creates new eligibilities to receive grants under the act;

- Requires the Game and Parks Commission to construct, develop, and manage a museum and visitor center honoring Chief Standing Bear;
 - Creates intent for the Legislature to appropriate:
 - Not more than \$15,000,000 for FY25-26 from interest earnings from the Perkins County Canal Project Fund that has been transferred to the Economic Recovery Contingency Fund for construction of the museum and visitor center;
 - \$750,000 for FY25-26 from interest earnings from the Perkins County Canal Project Fund credited to the Economic Recovery Contingency Fund for exhibit fabrication and historical interpretation;
 - \$200,000 in FY25-26 for staffing.
 - Permits the Game and Parks Commission to execute a memorandum of understanding or contract with the Nebraska State Historical Society.
- Requires the Department to award the following additional grants:
 - Not to exceed \$20,000,000 for a museum within a metropolitan class city;
 - Not to exceed \$20,000,000 to federally qualified health centers in a metropolitan class city;
- Creates a transfer of \$10,000,000 from the Cash Reserve Fund to the General Fund in FY22-23.

The amount of interest credited to the Economic Recovery Contingency Fund from the Perkins County Canal Project Fund and the Nebraska Capital Construction Fund is dependent upon the timing of the transfers from the Cash Reserve Fund to the respective funds and whether the funds will be considered long-term or short-term holdings which have different interest rates.

For informational purposes, our office has created an estimate for the amount of interest that will be credited from each project to the Economic Recovery Contingency Fund:

Perkins Canal Interest - Estimate		
FY23-24	FY24-25	FY25-26
\$19,000,000	\$17,000,000	\$15,000,000
Prison Interest - Estimate		
FY23-24	FY24-25	FY25-26
\$10,000,000	\$8,000,000	\$4,000,000

These estimates were based upon an assumption that the cash funds for both projects will be treated as short-term holdings and are being provided for informational purposes. Actual interest earnings will be dependent upon the timing of the transfers and expenditures, which is unknown.

Concur with the agency that there will be additional administrative need resulting from monitoring interest accrual and needed expenditures between itself, the Department of Natural Resources, and Game and Parks Commission. No basis to disagree with additional personnel for restructuring the Department's grant disbursement, however as this program is largely cash funded ongoing administration costs can be appropriated from the Economic Recovery Contingency Cash Fund rather than the General Fund.

LB532 with AM1560

LB342 amended by AM1560 makes the following changes to the Community Development Law:

- The designation of an area as extremely blighted shall be valid for a period of no less than 25 years;
- Provides for a city or authority to develop guidelines for the consideration or approval of redevelopment projects as part of its programming;
- Adds an estimated amount of outstanding indebtedness related to each redevelopment project and an estimated date by which such indebtedness is expected to be paid in full to the reporting requirements;
- Requires a housing study that is current within two years for metropolitan class cities and five years for all other cities or villages;
- For any redevelopment plan that includes uses a division of taxes to fund (i) new construction, rehabilitation, or acquisition of housing for households with annual incomes below the area median income for households and located within six hundred yards of a public passenger streetcar, or (ii) new construction, rehabilitation, or acquisition of single-family housing or condominium housing used as primary residences for individuals with annual incomes below the area median income individuals with annual incomes below the area median income for individuals, such housing shall be deemed related to the redevelopment plan that authorized such division of taxes.
 - Directs the authority and city to make best efforts to allocate not less than 30% of such funds to single family housing related to the redevelopment plan;

- Requires the authority and city to develop a qualified allocation plan and give first priority to financially viable projects that serve the lowest income occupants for the longest period of time;
- Allows for review by the city of substandard and blighted designation and describes the process for the review;
- For areas whose substandard, blighted, or extremely blighted designation has been in place for more than 30 years, the governing body of the city shall not approve a new redevelopment plan or project until an analysis of redevelopment projects has been completed and describes the review process.

Designation of substandard and blighted zones allows the parcels within the zones to be considered eligible for TIF, which results in lower property tax valuation in the city for a period of time. A reduction in property tax valuation in an equalized school district may require increases in state General Fund expenditures for equalization aid pursuant to TEEOSA. This legislation may expedite the process by which such designation occurs. However, the timing and magnitude of projects that could be affected by this legislation is indeterminate, and as a result, any resulting increase in TEEOSA aid is also indeterminate.

LB629 with AM1123

LB629 amended by AM1123 allows for the governing body of a city to allow expedited reviews of redevelopment plans and creates standards around the expedited reviews.

Makes the following changes to the Middle Income Workforce Housing Investment Act:

- Clarifies definitions under the act;
- Adds a basis for which grants can be awarded under the act;
- Establishes a subaccount within the Middle Income Workforce Housing Investment Fund to be used for affordable housing and related land parcel preparation activities under the Economic Recovery Act.

Designation of substandard and blighted zones allows the parcels within the zones to be considered eligible for TIF, which results in lower property tax valuation in the city for a period of time. A reduction in property tax valuation in an equalized school district may require increases in state General Fund expenditures for equalization aid pursuant to TEEOSA. This legislation may expedite the process by which such designation occurs. However, the timing and magnitude of projects that could be affected by this legislation is indeterminate, and as a result, any resulting increase in TEEOSA aid is also indeterminate.

FA149

Requires the Game and Parks Commission to purchase or receive by donation, and subsequently rehabilitate and manage, the Mayhew Cabin historical site located in Nebraska City, NE.

Technical note: Sec.37-303 limits what Game and Parks Commission may purchase or receive via gift to areas outside organized municipalities with exceptions provided in sec. 90-404 making this legislation inoperable. As such, there is no fiscal impact to the legislation. Should there be corrections to make the legislation operable, it is reasonable to assume there will be significant costs to the Commission, however these are unknown until an assessment of the property can be made.

AM1757

AM1757 is LB462 as amended by AM1017. It makes the following changes to the Middle Income Workforce Housing Investment Act:

- Updates the definition to urban community to include adjacent to a qualified census tract;
- Updates the definition to workforce housing to include owner-occupied housing units that cost not more than \$350,000 to construct;
- Updates the definition to workforce housing to include units whose rehabilitation cost for after-construction appraised value of the building alone is at least \$125,000 but not more than \$275,000 and has the housing unit after-construction appraised value be updated annually based upon the most recent increase or decrease in the Producer Price Index.

This legislation would allow higher-cost housing construction and rehabilitation projects to qualify under the act. This would have no fiscal impact, though may reduce the number of projects awarded as the award cap is increased.

AM1789

AM1789 is LB329, which amends s the Building Construction Act to prohibit state building codes from prohibiting or limiting the use of specific refrigerants designated as acceptable for use in 42 U.S.C. 7671k as it existed on January 1, 2023.

The Nebraska Real Estate Commission, Nebraska Department of Environment and Energy, and the Nebraska Department of Administrative Services - State Building Division has indicated there would be no fiscal impact.

There is no basis to disagree with these estimations of no fiscal impact.

AM1771

AM1771 amends the Shovel-Ready Capital Recovery and Investment Act to make a county agricultural society within a city of the primary class eligible under the act. No fiscal impact, though any increase in eligibility may change distribution of funds.

AM1838

Amends the Local Option Municipal Economic Development Act from cities with a population of 2,500 to 5,000. No fiscal impact.

The bill has the emergency clause.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 531	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 5/25/2023	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of fiscal impact from LB 531 as amended appears mostly reasonable. The revised federal fund intent is related to FY23 funds and there would likely be a \$1 million expenditure corresponding to the transfer to the Revitalize Rural Nebraska Fund.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 531	AM:	AGENCY/POLT. SUB: Game & Parks Commission
REVIEWED BY: Neil Sullivan	DATE: 5/25/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Game & Parks Commission estimated contingent cost for LB 531 as amended, however there does not appear to be a requirement that Mayhew Cabin acquisition occur in FY24.		

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2023

LB⁽¹⁾ 531—FA149

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Economic Development

Prepared by: ⁽³⁾ Dave Dearthmont Date Prepared: ⁽⁴⁾ 5/23/2023 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$10,000,000	\$10,000,000	\$1,106,810	
CASH FUNDS		1,000,000		
FEDERAL FUNDS	(250,000,000)	250,000,000		
OTHER FUNDS		(11,000,000)		
TOTAL FUNDS	<u>(\$240,000,000)</u>	<u>\$250,000,000</u>	<u>\$1,106,810</u>	

Explanation of Estimate:

LB531 as amended by FA149 brings in the provisions of several bills into LB531, including all or portions of LB33, LB45, LB98, LB170, LB223, LB342, LB532 as amended by AM1560, and LB629.

Among the provisions affecting DED programs, include sections 29-32 of AM1880 that would change provisions of the Middle Income Workforce Housing Investment Act (MIWH) and the Economic Recovery Act. These provisions include changing the definition of the cost of “owner-occupied housing units” from “after construction appraised value” to “total housing construction cost,” removing the prohibition on stacking MIWH grants with other state and federal funding sources, requiring DED to annually update housing costs using the Producer Price Index, and amending the basis for awarding MIWH grants. Finally, these sections require DED to create a subaccount within the MIWH fund to fund affordable housing projects and land parcel preparation under the Economic Recovery Act.

Sections 34 and 35 of LB531 as amended by AM1880 and FA149, would change provisions relating to the designation of iHubs in section 81-12,109 Revised Statutes Cum. Supp. 2022 limiting the number of iHubs by Congressional District. Section 81-12,110 would be amended to add a priority to the scoring system for start-up nonprofits “expressing new and innovative ideas,” and disqualifies any application from a potential iHub that has received a grant under section 81-12,241—the Airport Business Park grant provided in the Economic Recovery Act. Section 36 of LB531 as amended, would amend the Nebraska Rural Projects Act, and provide an additional \$5 million in state funds for site acquisition and preparation and rail spur construction for a site within 30 miles of the state’s largest reservoir without having to make any investment in the project.

The bill as amended also proposes to amend several provisions of the Economic Recovery Act, created by LB 1024 in 2022. Section 44 would create the North and South Omaha Recovery Grant Program within the Economic Recovery Act, replacing the “Coordinated Plan” language in LB1024 with the new program that requires DED to rely on studies produced by the Economic Recovery Special Committee of the Legislature (Committee). The new provisions also include adding Economic Redevelopment Areas (ERAs)—defined as census tracts where unemployment is at least 150% of the state average and the average poverty rate is at least 20%—to Qualified Census Tracts (QCTs) as locations eligible for grant-funded projects under the Economic Recovery Act. As amended, for a project to qualify for a grant, the project must be listed in the Committee’s coordinated plan, or the appendixes dated January 10, 2023. DED is required to prioritize projects that would benefit communities and neighborhoods within QCTs and ERAs in Omaha. This section also provides for two additional grant programs including up to \$20 million for creating a museum named in the honor of a person inducted into the Nebraska Hall of Fame on or before June 30, 2023; up to \$20 million for federally qualified health centers. In addition, amendment increases the grant for development of a business park within two miles of a major airport in Omaha from \$60 to \$90 million, and broadens the definition of preparing land parcels for affordable housing grants.

The LB531 as amended by AM1880 and FA149 also assumes that the funding source for many of the grants under the act will be changed from federal ARPA funds to state funds. The bill would amend Section 81-12,244, changing intent language to appropriate \$250 million in federal funds to \$10 million in General Funds for FY2023-24. The bill as amended also specifies that the utilization of state funds remain subject to the “intent and basic parameters” of ARPA, but are not subject to the time restraints for allocation and spending, or the federal reporting requirements. In addition, DED would be required to pay grantees an advance of 50% of the total grant awarded, with the remaining grant funds to be paid monthly until the grant is paid in full. If the grant is not used, DED may require grantees to repay unused grants funds.

LB531 as amended by LB1880 and FA149 would also transfer interest earned on federal Coronavirus State Fiscal Recovery Funds between June 1, 2023 and June 30, 2023, and every June 30 thereafter, to the Economic Recovery Contingency Fund. In addition, the Economic Recovery Contingency Fund will receive any interest earned from the investment of money in the Perkins County Canal Project Fund, plus any interest received by the Nebraska Capital Construction Fund from transfers credited to the fund that are designated for the construction of a new state prison beginning on June 1, 2023, and ending June 30, 2026. The bill as amended would require the State Treasurer to transfer \$10 million from the Cash Reserve Fund to the General Fund; and \$1 million from the Cash Reserve Fund to the Revitalize Rural Nebraska Fund, after the effective date of this act. The bill as amended also requires the Game and Parks Commission to construct develop and manage a museum and visitor center honoring Chief Standing Bear. In addition, the bill also contains intent language to appropriate up to \$15,950,000 of the interest on the Perkins County Canal Project Fund in DED’s Economic Recovery Contingency Fund to Game and Parks for this purpose in FY2025-26.

For purposes of this fiscal note, DED assumes that transfers that are authorized upon the effective date of the act will be made in July 2023. DED also assumes that the new grant provisions in LB531 as amended would result in approximately \$100 million in net new grant funds and programs to administer. In addition, the prohibition against issuing grant funds on a reimbursement basis will result in much greater monitoring costs for the department. In total, these expanded provisions and costs will require the services of an Economic Development Manager to manage the new grant programs, an IT Data/Database Analyst to create the applications and awards, and an Accountant III to assist with the expanded number of grant allocations and to monitor the Economic Recovery Contingency Cash Fund, as a second agency will have access the DED cash fund. In addition, the required monthly distributions and potential claw-back of funds provisions will require more frequent monitoring of grantees. DED expects that these duties will require the services of an Economic Development Manager to manage additional compliance staff, an Attorney III to assist with grant agreements and fund recovery, and three Economic Development Business Consultant IIs to conduct the expanded monitoring. Operating costs include \$113,670 for grant management software and licenses and \$20,590 for leased office space, annually.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ Dev. Manager	1.50	2.00	\$105,850	\$148,190
A19013 Accountant III	0.75	1.00	46,480	65,070
A07051 IT Data/DB Analyst	0.75	0.75	54,300	57,020
A49011 Econ Dev. Bus. Consultant II	2.00	3.00	130,380	205,340
G31113 Attorney III	0.50	1.00	45,750	96,070
Benefits.....			153,100	228,680
Operating.....			205,330	249,270
Travel.....			38,280	57,170
Capital outlay.....			68,800	0
Aid.....			9,151,730	0
Capital improvements.....				
TOTAL.....			\$10,000,000	\$1,106,810

