

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2023-24</b>		<b>FY 2024-25</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	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 692 seeks to adopt the Good Life Transformational Projects Act (Act) to provide state assistance to political subdivisions to assist in the development and redevelopment of eligible areas within Nebraska by authorizing cities and villages to establish good life districts to support the issuance of bonds, public-private partnerships, or other alternative mechanisms for the financing of such projects and allowing designated portions of state sales tax revenue in such districts to be reinvested in those districts to repay such bonds, public-private partnerships, or other financing mechanisms, improve infrastructure, and further the purposes of the Act.

Eligible projects could seek approval by applying to the Department of Economic Development (DED). Applications would be accepted through December 31, 2024. State assistance would commence upon the receipt of a certificate of occupancy for each facility within the approved project and would last a maximum of 25 years.

Once an application is approved, the Tax Commissioner would audit or review audits of the approved projects to determine the state sales tax revenue collected by sellers within the good life districts and certify annually to the Legislature those amounts of sales tax revenue collected by sellers in the good life districts. The Tax Commissioner would also certify to the State Treasurer the sales tax quarterly for each good life district with approved projects.

The Act also creates the Good Life Transformational Projects Fund that would be administered by the DED. The mentioned certified quarterly amounts would be transferred to this Fund. Under the bill, it would be the intent of the Legislature that the DED use the Fund to provide grants or loans to any political subdivision for which an application for state assistance has been approved in an amount not to exceed 50% of the state sales tax revenue collected by sellers within the applicable good life district. The funds would be distributed quarterly. State assistance to the political subdivision would no longer be available upon repayment of bonds, public-private partnerships, or alternative financing mechanisms that were issued in connection with the project. State assistance would not be used for an operating subsidy. The bill does not specify the distribution of the remaining 50% of the state sales tax credited to the Good Life Transformational Projects Fund.

Under the bill, beginning July 1, 2023 the rate of the sales tax levied pursuant to section 77-2703 would be 5.5% except that such rate would be 6% on transactions occurring within a good life district. Of the extra 0.5% sales tax rate, it would be the intent of the Legislature to appropriate 50% to the Good Life Transformational Projects Fund and 50% to the Civic and Community Center Financing Fund.

The bill contains an emergency clause.

The Department of Revenue (DOR) estimates an indeterminable fiscal impact from this bill due to an unknown number of qualifying projects and boundaries of good life districts. The DOR also estimates a one-time programming charge of \$30,794 to be paid to the Office of the Chief Information Officer (OCIO) for development costs. The DOR notes that the transfer, under the bill, of all sales tax collected in a good life district (6%) from the General Fund to the Good Life Transformational Projects Fund could be significant.

The DED estimates a need for an Economic Development Business Consultant II, 0.5 Accountant, and 0.5 Economist as a result of this bill. Additionally, DED estimates a one-time operating cost of \$75,000 to develop an online application portal, \$163,700 in software and licenses for grant management software, and \$5,310 for additional leased office space. Added together, these amounts are less than the amounts listed by DED for operating costs and would amount to \$244,010 in operating costs for FY23-24 and \$169,010 for FY24-25.

Political subdivisions could see an increase in revenue from the state with approved projects, as a result of this bill.

TECHNICAL NOTE:

The bill violates Section 308.A of the Streamlined Sales and Use Tax Agreement (SSUTA) which requires that the state has only one state sales tax rate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 692	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 3/3/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of indeterminate impact from LB 692.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 692	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 3/3/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Economic Development assessment of indeterminate impact from LB 692.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 692	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 3/3/2023	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of indeterminate impact from LB 692.		

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Glen White

Date Prepared: 03/02/2023

Phone: 471-5896

	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	See Below	See Below		See Below		See Below
Cash Funds	See Below	See Below	See Below	See Below	See Below	See Below
Federal Funds						
Other Funds		See Below		See Below		See Below
<b>Total Funds</b>	See Below	See Below	See Below	See Below	See Below	See Below

LB 692 adopts the Good Life Transformational Projects Act (Act) and creates the Good Life Transformation Projects Fund (Fund).

Under the Act, political subdivisions who have approved a bond, public-private partnership, or alternative financing mechanism to acquire, design, market, construct, finance, provide technology and software infrastructure for, improve, or equip an eligible project may apply to the Department of Economic Development (DED) for state assistance. Applications for state assistance will only be accepted before December 31, 2024. The Act limits state assistance to a portion of the state sales and use tax revenue collected within the good life districts as defined by the Act. The Act also provides definitions for political subdivisions, public-private partnerships, and bonds.

State assistance begins with the receipt of a certificate of occupancy for each facility within the approved project and will last a maximum of 25 years.

Approved project means an eligible project approved by DED under the Act.

Beginning July 1, 2023, the rate of the sales tax levied under § 77-2703 is 5.5%, except that such rate shall be 6% on transactions occurring within a good life district as provided under the Act. The additional 0.5% sales tax collected from transactions in good life districts will be appropriated as follows: (1) 50% to the Fund for use in repaying bonds, public-private partnerships, or other alternative financing mechanisms, improving infrastructure, and furthering the purposes of the Act; and (2) 50% to the Civic and Community Center Financing Fund.

If an application for state assistance is approved, the Tax Commissioner must (a) audit or review audits of the approved projects to determine the state sales tax revenue collected by sellers within the good life districts; and (b) annually certify the amount of sales tax revenue collected and subject to audit under the Act to the Legislature. The sales tax revenue collected by sellers operating with a good life district must be reported on informational returns submitted to the Department of Revenue (DOR) by the sellers by the 20th day of the month following the month the sales taxes are collected. The Tax Commissioner must use data from the informational returns to

Major Objects of Expenditure

Class Code	Classification Title	23-24 FTE	24-25 FTE	25-26 FTE	23-24 Expenditures	24-25 Expenditures	25-26 Expenditures
	Benefits.....						
	Operating Costs.....				\$30,794		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>				\$30,794		

quarterly certify the amount of state sales tax revenue collected in the good life district to the State Treasurer within 60 days after the end of the calendar quarter.

LB 692 creates the Fund, which is administered by DED. Upon receiving the quarterly certification from the Tax Commissioner, the State Treasurer must transfer the certified amount to the Fund. The Legislature intends for DED to use the Fund to provide grants or loans to any political subdivision for which an application for state assistance has been approved in an amount not to exceed 50% of the state sales tax revenue collected by sellers within the applicable good life district. Distributions from the Fund will occur on a quarterly basis. State assistance will not be available upon repayment of the bonds, public-private partnerships, or alternative financing mechanisms issued in connection with the project. State assistance must not be used for operating a subsidy. The additional 0.5 % in sales tax will be distributed evenly between the Good Life Transformational Projects Fund and the Civic and Community Center Financing Fund.

The proposed legislation violates the SSUTA (Sec. 308.A) requirement that a state has only one state sales tax rate, except for food and food ingredients and drugs.

LB 692 will require a one-time programming charge of \$30,794 paid to the OCIO for development cost.

This bill contains an emergency clause and becomes law upon enactment.

Fiscal Impact:

The fiscal impact of LB 692 is indeterminable due to an unknown number of qualifying projects and the boundary of the Good Life District. LB 692 transfers all sales tax collected (6.0%) in the good life district from the General Fund to the Good Life Transformational Projects Fund which could be significant.

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

2023

LB<sup>(1)</sup> 692

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Dave Dearmont Date Prepared: <sup>(4)</sup> 2/21/2023 Phone: <sup>(5)</sup> 402-471-3777

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

	FY 2023-24		FY 2024-25	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

LB692 would allow for the establishment of 'Good Life Districts' that attract a significant number of visitors and create a significant number of jobs to be able to apply to DED for state assistance in funding if they already have been approved for economic assistance by DED. The bill also would create a new cash fund in DED called the Good Life Transformational Projects Fund. Under the bill, the Tax Commissioner will certify quarterly the amount of state sales taxes collected in the district(s) and certify the amount to the State Treasurer who will make quarterly distributions to the new cash fund. DED would make quarterly distributions to political subdivisions who are supporting the Good Life Districts. The bill also increases the state sales and use tax from 5.5% to 6.0% for taxable transactions that occur within the district. The additional tax funds would be distributed 50% to the supporting political subdivision and 50% to the Civic and Community Center Financing Fund. New applications for the program would end on 12/31/2024.

For purposes of estimating DED expenditures for this fiscal note, DED assumes one qualifying district and three application reviews prior to the sunset for applications. DED further assumes that a grant is awarded to a single large project, and that the sales and use taxes distributed over the 25-year life of the bonds is sufficient to cover the cost of servicing a \$1 billion bond issue.

Given the level of review required by DED to approve an application, and the other tasks required by the bill, DED believes that it will need the services of an Economic Development Manager to design the program, and manage grants and awards, 0.50 of an Economist to assist with the detailed market analysis of applications, and 0.50 Accountant III to distribute awards. It is also estimated that DED will require one-time operating costs of \$75,000 to develop an on-line application portal to collect information. Other operating costs would include approximately \$163,700 in software and licenses for grant management software, and \$5,310 for additional leased office space.

Note that Section 7 of the bill would require the Tax Commissioner to certify the "total amount of state sales tax revenue ... that was collected in the preceding calendar quarter." Section 8 of the bill requires the State Treasurer to transfer the amount certified to the Good Life Transformational Projects Fund. Subsection (3) of this section also contains intent language for DED to provide grants or loans from the funds to the relevant political subdivision "in an amount not to exceed fifty percent of the state sales tax revenue collected by sellers" in the district. However, Section 10 refers to the distribution of additional ½ cent of state sales and provides for an even split of this portion of the sales tax between the relevant political subdivision and DED's Civic and Convention Center Financing Fund. Thus, it appears that 50% of the 5.5% state sales tax would remain in the new cash fund.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2023-24	2024-25
	23-24	24-25	EXPENDITURES	EXPENDITURES
G49550 Econ Dev. Bus Consultant II	0.80	1.00	\$57,530	\$74,790
A19013 Accountant III	0.50	0.50	31,580	32,840
A13910 Economist	0.50	0.50	34,370	35,750
Benefits.....			49,390	57,350
Operating.....			268,860	197,840
Travel.....			12,350	14,340
Capital outlay.....			17,200	0
Aid.....			0	0
Capital improvements.....			0	0
TOTAL.....			\$471,280	\$412,910

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

**2023**

**LB<sup>(1)</sup> 692**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County

Prepared by: <sup>(3)</sup> Dennis Meyer Date Prepared: <sup>(4)</sup> 1-25-23 Phone: <sup>(5)</sup> 402-441-6869

**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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact.

**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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2023**

**LB<sup>(1)</sup> 692**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/25/2023 Phone: <sup>(5)</sup> 402.434.5660

**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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

Explanation of Estimate:

LB692 would adopt the Good Life Transformation Project Act and allow political subdivisions to apply to the Department of Economic Development for state assistance to be used for a variety of financing mechanisms for eligible projects. Such projects must be approved by the department and demonstrate identified criteria.

Grants, thus increased revenue, could range from \$0 to an amount not to exceed fifty percent of the state sales tax revenue collected by sellers within an applicable good life district.

**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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>