Doug Gibbs February 18, 2015 402-471-0051

## LB 238

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	5-16	FY 2016-17					
_	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
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.

LB 238 amends the Community Development Law.

The bill adds the definition of "public works" to statute and defines "public works" to mean streets, roads, public utilities, other public infrastructure, and other public facilities.

The bill amends Section 18-2107 to limit a community development authority's ability to spend on facilities to public facilities.

LB 238 amends Section 18-2116 to add new language that provides that funds received from the issuance of bonds or other indebtedness will only be used for expenditures by the city for land acquisition and site preparation and on public works.

Section 18-2117.01 is amended to require certification by the city that funds received have only been used for expenditures by the city for land acquisition and site preparation and on public works.

Section 18-2147 is amended to add new language that places a limitation on the bond interest rate issued through the use of taxincrement financing of the Federal Reserve Board prime rate plus two percentage points. It also requires that the bonds be sold through public sale and that the proceeds may only be used for expenditures by the city for land acquisition and site preparation and on public works.

The bill has an operative date of January 1, 2016.

There is no fiscal impact to the state as a result of LB 238.

## IMPACT TO LOCAL POLITICAL SUBDIVISIONS:

The City of Omaha indicates that the cost of LB 238 could be significant. They believe that the way LB 238 is presented, TIF projects in Omaha would cease as they are currently processed. Omaha would have to borrow the money, raising their debt levels which could result in a reduction on Omaha's bond rating and a higher borrowing cost. However, Omaha is unable to provide a specific fiscal impact number.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 238	AM:	AGENCY/POLT. SUB: City of Omaha				
REVIEWED BY: Lyn Heaton DATE: 2/20/2015 PHONE: 471-4181						
COMMENTS: No basis upon which to disagree with the City of Omaha's conclusion that the bill will change how TIF projects						
are processed by the city. It is unclear whether such a change would actually prevent the city from utilizing Tax Increment						
Financing but it may limit the circumstances under which it may be utilized as an economic development incentive compared						
to how it is used currently.						

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB <sup>(1)</sup> 238					FISCAL NOTE
State Agency OR Po	litical Subdivision Name: <sup>(2)</sup>	City of Omaha			
Prepared by: <sup>(3)</sup>	Sheri Larsen	Date Prepared: <sup>(4)</sup>	01/22/2015	Phone: (5)	402-444-5477
	ESTIMATE PROVIDE	<u>D BY STATE AGEN</u>	ICY OR POLITICAL	SUBDIVIS	ION
	FY 201	5-16		FY 2016	_17
	EXPENDITURES	<u>REVENUE</u>	<b>EXPENDITU</b>		<u>REVENUE</u>
GENERAL FUND	S				
CASH FUNDS					
FEDERAL FUND	s				
OTHER FUNDS					
TOTAL FUNDS					

**Explanation of Estimate:** 

The financial impact of LB 238 on the City of Omaha could be significant. The way the bill is presented it appears that TIF projects in the City would cease as they are currently processed. The City would have to borrow the money, raising the City's debt levels which could result in a reduction in the City's bond rating and a higher borrowing cost. A monetary value for the bill's impact is difficult to determine at this time.

BREAKE	OWN BY MAJ	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
POSITION TITLE		POSITIONS	2015-16 EXPENDITURES	2016-17 EXPENDITURES
FOSITION TITLE	<u>15-16</u>	<u>16-17</u>	EAFENDITURES	<u>EAFENDIIURES</u>
	<u> </u>			
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

## Fiscal Note 2015

State Agency Estimate								
State Agency Name: Department of	Revenue				Date Due LFA:	2/20/2015		
Approved by: Len Sloup		Date Prepared:	2/20/2015		Phone: 471-5896			
	FY 201	5-2016	FY 2016-2017		FY 2017-2018			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds		\$0		\$0		\$0		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds		\$0		\$0		\$0		

LB 238 restricts the use of funds received from the issuance of bonds or other indebtedness used for taxincrement financing to expenditures by the city for land acquisition, site preparation, and public works. Public works are defined as streets, roads, public utilities, other public infrastructure, and other public facilities. A city must certify, in their annual report to the Property Tax Administrator, that the funds received from the issuance of bonds or other indebtedness were only used for land acquisition, site preparation, and public works.

LB 238 restricts the allowable interest rate for the bonds used for tax-increment financing, requires that those bonds be sold at public sale, and restricts the use of the proceeds to expenditures by the city for land acquisition, site preparation, and public works.

There is no cost to the Department to implement LB 238.

There is no General Fund impact associated with the bill.

Major Objects of Expenditure									
Class Code	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 <u>Expenditures</u>	16-17 <u>Expenditures</u>	17-18 <u>Expenditures</u>		
Benefits									
Operating Costs									
Travel									
Capital Outlay									
Capital Improvement									