

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		(\$18,700,000)		(\$18,580,000)
CASH FUNDS	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$30,000,000</b>	<b>\$11,300,000</b>	<b>\$30,000,000</b>	<b>\$11,420,000</b>

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

LB 613 changes the sunset date for new applications for the New Markets Job Growth Investment Act, Nebraska Job Creation and Mainstreet Revitalization Act, and the Beginning Farmer Tax Credit Act from December 31, 2022 to July 1, 2019.

The bill expresses intent to appropriate \$30 million of the amount saved from no longer accepting applications under these three acts to be used to increase the appropriation to the Site and Building Development Fund for FY 19-20 and thereafter.

The bill contains the emergency clause.

**Revenue:**

The Department of Revenue estimates the change to the General Fund as follows:

	General Fund Revenue Savings Due to Sunset Dates	General Fund Transfer to Site and Building Development Fund	Total General Fund Impact
FY 19-20	\$11,300,000	\$30,000,000	(\$18,700,000)
FY 20-21	\$11,420,000	\$30,000,000	(\$18,580,000)
FY 21-22	\$13,750,000	\$30,000,000	(\$16,250,000)
FY 22-23	\$14,190,000	\$30,000,000	(\$15,810,000)

There is no basis to disagree with these estimates.

**Expenditures:**

DED estimates Cash Fund expenditures for 1.5 FTE in FY 19-20 and 3.0 FTE in FY 20-21 for an Economic Development Manager, Economic Development Financial Packager, and an Engineer II to implement the bill. Including salary, benefits, operating, capital, and travel expenditures, the total cost is \$276,300 in FY 19-20 and \$432,300 in FY 20-21. The Department of Revenue estimates minimal cost to implement the bill. These estimates of implementation costs seem reasonable.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 613	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 3/4/2019	PHONE: (402) 471-4175	
COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions used.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 3/1/19			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 2/28/19					
<b>FY 2019-2020</b>		<b>FY 2020-2021</b>		<b>FY 2021-2022</b>	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$0   (\$18,700,000)	\$0   (\$18,580,000)	\$0   (\$16,250,000)	\$0   (\$16,250,000)	\$0   (\$16,250,000)
Cash Funds	\$30,000,000   \$30,000,000	\$30,000,000   \$30,000,000	\$30,000,000   \$30,000,000	\$30,000,000   \$30,000,000	\$30,000,000   \$30,000,000
Federal Funds					
Other Funds					
<b>Total Funds</b>	<b>\$30,000,000   \$11,300,000</b>	<b>\$30,000,000   \$11,420,000</b>	<b>\$30,000,000   \$11,420,000</b>	<b>\$30,000,000   \$13,750,000</b>	<b>\$30,000,000   \$13,750,000</b>

LB 613 changes the application sunset for the following tax credit programs to July 1, 2019: the New Markets Job Growth Investment Act, the Nebraska Job Creation and Mainstreet Revitalization Act, and the Beginning Farmer Tax Credit Act.

LB 613 amends § 81-12,146 to state the legislative intent that the \$30 million saved from no longer accepting applications under the New Markets Job Growth Investment Act, Nebraska Job Creation and Mainstreet Revitalization Act, and the Beginning Farmer Tax Credit Act be used to increase the appropriation to the Site and Building Development Fund for fiscal year 2019-20 and each fiscal year thereafter.

While LB 613 states that \$30 million will be saved, the savings resulting from ending these tax programs is less than \$30 million. New Markets has roughly \$40 million left to allocate in qualified equity investment(QEI), which translates to savings of \$2.2 million and \$2.5 million in tax credits at 7% and 8%, respectively (the first two year after investment the credit percentage is 0, see table). The Mainstreet Revitalization Act is undersubscribed with less than \$5 million in tax credits issued in 2018. The amount of income tax credits claimed in tax year 2017 from the Beginning Farmers Tax Credit was approximately \$1.09 million. The total cost of these three programs is less than \$15 million. Consequently, if \$30 million were appropriated to the Site and Building Development Fund, there would be a negative General Fund impact. The table below shows the savings, appropriation, and General Fund impact.

	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023
New Markets Job Growth Investment Act	\$ -	\$ -	\$ 2,200,000	\$ 2,500,000
Mainstreet Revitalization Act	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Beginning Farmer Tax Credit Act	\$ 1,300,000	\$ 1,420,000	\$ 1,550,000	\$ 1,690,000
<b>Total Savings</b>	<b>\$ 11,300,000</b>	<b>\$ 11,420,000</b>	<b>\$ 13,750,000</b>	<b>\$ 14,190,000</b>
Appropriation to Building Development Fund	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000	\$ 30,000,000
<b>General Fund Impact</b>	<b>\$ (18,700,000)</b>	<b>\$ (18,580,000)</b>	<b>\$ (16,250,000)</b>	<b>\$ (15,810,000)</b>

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

<b>Major Objects of Expenditure</b>								
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22	
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures	
	Benefits.....							
	Operating Costs.....							
	Travel.....							
	Capital Outlay.....							
	Capital Improvements.....							
	<b>Total.....</b>							

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**2019**

**LB<sup>(1)</sup> 613 Revised**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Dave Rippe Date Prepared: <sup>(4)</sup> 2/7/2019 Phone: <sup>(5)</sup> 471-3777

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

	FY 2019-20		FY 2020-21	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS		(See Below)		(See Below)
CASH FUNDS	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$30,000,000</u>	<u>(See Below)</u>	<u>\$30,000,000</u>	<u>(See Below)</u>

**Explanation of Estimate:**

LB613 changes the sunset dates of the New Markets Job Growth Investment Act, the Nebraska Job Creation and Mainstreet Revitalization Act, and the Beginning Farmer Tax Credit Act from December 31, 2022 to July 1, 2019. The bill states an intent that \$30 million of the amount saved from ending applications to the three programs be used to increase the appropriation to the Site and Building Development Fund (SBDF) for Fiscal Year 2019-20 and each fiscal year thereafter.

DED assumes the bill, if passed, would result in a General Fund transfer to the SBDF of \$30 million per year, beginning in FY2019-20 but it is unknown how much savings would occur in FY2019-20 or subsequent fiscal years. The bill carries the emergency clause, which is necessary for LB613 to become effective before the July 1, 2019 sunset date.

Based on the predicted demand for SBDF services, the Department expects to need three new positions over the next two fiscal years, including an economic development manager, an economic development financial packager to manage loans and loan guarantees, and the services of an engineer, who can help with contracting, and interpreting engineering studies. The engineer position may not fully address the position required for the department for the duties outlined in LB613.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2019-20	2020-21
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Economic Dev. Manager	.75	1.0	\$48,500	\$66,200
A49280 Econ. Dev. Financial Packager	.5	1.0	29,000	59,500
V55312 Engineer II	.25	1.0	17,000	70,300
Benefits.....			82,800	78,400
Operating.....			19,000	150,000
Travel...(Includes a vehicle) .....			54,500	7,900
Capital outlay.....			25,500	0
Aid.....			29,723,700	29,567,700
Capital improvements.....				
TOTAL.....			\$30,000,000	\$30,000,000