

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$2,500,000		\$2,500,000	
CASH FUNDS	\$2,500,000		\$2,500,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$5,000,000		\$5,000,000	

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

LB588 proposes changes that impact the capital construction appropriations for the University of Nebraska and for the Nebraska State College System (NSCS).

As detailed in the attached fiscal note returned by the University of Nebraska, LB588 proposes to:

1. State intent to extend \$11,000,000 of existing annual state general fund appropriations provided via LB605 (2006) and LB957 (2016) through FY 2061-62. Currently, the intent is for these appropriations to continue through FY2029-30. The \$11,000,000 in matching University funds would also continue through FY2061-62.
2. State intent to extend \$4,462,928 of existing annual state general fund appropriations provided via LB297 (2019) through FY2061-62 from the currently stipulated end date of FY2049-50. This annual amount currently covers capital expenditures towards these projects: NCTA, Vet Diagnostic, and Nursing-UNL. As the funding requirements for each project are met, the associated dollar commitment migrates to program the University’s NU Facilities Renewal program 906.
3. State intent to appropriate \$2,500,000 of new annual state general funds beginning in FY2021-22 through FY2061-62 for the renewal, renovation, replacement or repair of existing University facilities. This would be matched with \$2,500,000 of annual University funds.
4. Require the University to establish a program to annually deposit an amount equal to 2% of the total costs of projects using these state funded University Facilities Program funds into a revolving fund whose use would be restricted for future capital renewal and maintenance needs.
5. Drops the phrase “of 2006” from the University of Nebraska Facilities Program.
6. Require a biennial report to the Legislature outlining projects constructed and any planned for construction from the University Facilities Program. A long-term capital plan would be submitted at least every five years.

The bill also states intent related to appropriations to the Nebraska State College System, as detailed in the attached response:

1. The end date for annual general funds of \$1,125,000 provided via LB605 (2006) and LB957 (2016) would be extended from FY2029-30 to FY2039-40.
2. The current annual match requirement of \$1,440,000 from NSCS revolving funds from LB605 (2006) would also continue through this additional period.
3. The end date for annual general funds of \$2,216,000 appropriated per LB198 (2013) and LB297 (2019) would also be extended through FY2039-40.
4. Drops the phrase “of 2006” from the State College Facilities Program.
5. A biennial report to the Legislature would list construction projects completed or planned for the State College Facilities Program. A long-term capital plan would be submitted at least every ten years.

LB588 does not:

1. Require that the Legislature approve the expenditures or financing plans for projects comprising the University of Nebraska Facilities Program nor the State College Facilities Program (p. 15, lines 20-25).
2. State intent to increase appropriations to the Nebraska State College System.
3. State intent to continue the Cash fund appropriations for NSCS’s program 903 for Sports Facilities Projects beyond its current expiration date.

GENERAL FUND IMPACT ONLY				
Agency 51 - NU			Total Impact	Additional Impact
Prog #	Description		Pre-LB588	with LB588
920	UN Facilities		77,000,000	352,000,000
906, 930, 939, 976	Multiple		120,499,056	53,555,136
TBD	New-LB588		-	97,500,000
		Subtotals	197,499,056	503,055,136
Agency 50 - NSCS			Total Impact	Additional Impact
Prog #	Description		Pre-LB588	with LB588
919	State Coll. Facilities		7,875,000	11,250,000
933	Chadron State Math/Sci		15,512,000	22,160,000
		Subtotals	23,387,000	33,410,000
		Totals	220,886,056	536,465,136

The bill also outright repeals sections 85-412 to 85-418, which include provisions related to the University of Nebraska and State College Facilities Programs enacted by Laws 1998, LB1100.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	588	AM:	AGENCY/POLT. SUB University of Nebraska	
REVIEWED BY:	Gary Bush	DATE:	2/9/21	PHONE: (402) 471-4161
<p>COMMENTS: Agree with the University's estimate of impact for FY2022 and FY2023 LB588 extends current authority from FY2030 to FY2062. This extension will result in an increased obligation to the state to provide funding and increase the obligation to the state by \$508,055,136 with a match requirement from the University of \$454,500,000. Under current law, the University of Nebraska will receive \$99,000,000 of General Fund support with a matching requirement of University funds. Of the funding being proposed, \$177,414,351 would not require matching funds from the University. Provisions of the bill remove reporting to the Task Force on Building Renewal and removes the Legislature's review and approval of projects that are part of the University of Nebraska Facilities Program.</p>				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	588	AM:	AGENCY/POLT. SUB Nebraska State College System	
REVIEWED BY:	Gary Bush	DATE:	2/9/21	PHONE: (402) 471-4161
<p>COMMENTS: LB588 has a delay impact as it extends current authority from FY2030 to FY2040. This extension will result in an increased obligation to the state to provide funding by \$11,250,000. This will bring the total state support to \$50,183,000 and a required match of \$27,360,000. Provisions of the bill remove reporting to the Task Force on Building Renewal and removes the Legislature's review and approval of projects that are part of the State College Facilities Program.</p>				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 588 AM: AGENCY/POLT. SUB Coordinating Commission for Postsecondary Education

REVIEWED BY: Gary Bush DATE: 1/29/21 PHONE: (402) 471-4161

COMMENTS: Agree with the agency on no fiscal impact to the agency.

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

2021

LB⁽¹⁾ 588

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Chris Kabourek Date Prepared: ⁽⁴⁾ January 28, 2021 Phone: ⁽⁵⁾ 402-472-7102

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$2,500,000</u>	<u> </u>	<u>\$2,500,000</u>	<u> </u>
CASH FUNDS	<u>\$2,500,000</u>	<u> </u>	<u>\$2,500,000</u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u><u>\$5,000,000</u></u>	<u> </u>	<u><u>\$5,000,000</u></u>	<u> </u>

Explanation of Estimate:

The University, like almost every college and university across the country, faces a deferred maintenance backlog that will potentially, if left unaddressed, begin to impact the student experience, impair research efforts, and prevent it from achieving our strategic goals. Addressing the deferred maintenance challenge is a key priority in the University’s recently released five-year strategic plan.

University facilities are valued at over \$5 billion and represent more than 70% of the State’s net total building assets. Roughly 55% of the University’s buildings are 25 years or older and continued upkeep of these facilities is critical to the University’s ability to recruit and retain top talent in today’s competitive higher education marketplace.

As budgets tighten, a proactive approach to maintenance is more important than ever. Given construction costs increase on average between 4% and 6% a year, the University is evaluating many options, including long-term financing strategies, given current interest rates for the University would be at historic lows of between 1% to 3%.

Since 1998, the State, the University, and State Colleges have had a successful history of partnering to address deferred maintenance needs across the campuses through bond financing.

LB588 would continue and expand this partnership by providing both the University and the State Colleges flexibility in evaluating long-term strategies to address this challenge. In short, for the University, the bill would:

1. Extend \$11,000,000 of existing annual state general fund appropriations provided via LB605 (2006) and LB957 (2016) through FY 2061-62. Currently, the Legislature has expressed its intent to continue these appropriations continue through FY 2029-30. The state appropriation is currently matched with \$11,000,000 of annual University funds, which would also continue through FY 2061-62.
2. Extend \$4,462,928 of existing annual state general fund appropriations provided via LB297 (2019) and earlier appropriations through FY 2061-62. Currently, the Legislature has expressed its intent to continue these appropriations through FY 2049-50 for the University’s deferred maintenance needs.
3. Appropriate \$2,500,000 of new annual state general funds beginning in FY 2021-22 through FY 2061-62 for the renewal, renovation, replacement or repair of existing University facilities. This proposed state appropriation would also be matched with \$2,500,000 of annual University funds.

4. Require the University to establish a program to deposit annually an amount equal to 2% of the total project costs of new renewal, renovation, replacement, or repair projects utilizing these state funded University Facilities Program funds. In short, this program serves as a restricted revolving fund to ensure funds are available for future capital renewal and maintenance needs.

5. Require a biennial report to the Legislature outlining projects constructed and any planned for construction from the University Facilities Program. In addition, at least every five years, the University shall provide to the Legislature a copy of its current long-term capital plan to be constructed or newly financed from the University Facilities Program.

This extended and additional funding through FY 2061-62 provides the University with additional financing capacity and flexibility to analyze and consider opportunities currently presented in this era of record low interest rates.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....			\$5,000,000	\$5,000,000
TOTAL.....			\$5,000,000	\$5,000,000

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2021

LB⁽¹⁾ 588

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska State College System (NSCS)

Prepared by: (3) Carolyn Murphy Date Prepared: (4) January 27, 2021 Phone: (5) 402-471-2505

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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:

LB588 makes changes to the University's and State College's Facilities Program. It would extend funding streams currently included in intent language for the NSCS as follows:

Funding provided through LB605 (2006) and LB957 (2016) of \$1,125,000 annually that currently contains intent language to continue through FY2029-30 would be extended to FY2039-40.

The current NSCS match requirement of \$1,440,000 annually from LB605 (2006) would also continue through this additional period.

Funding provided through LB198 (2013) and LB297 (2019) of \$2,216,000 annually that currently contains intent language to continue through FY2034-35 would be extended to FY2039-40.

This extension of the funding amounts through FY2039-40 provides the NSCS with additional financing capacity for the renewal, renovation, replacement, or repair of NSCS facilities, with the combined funding of the two streams available to the NSCS for financing.

LB588 would also require a biennial report to the Legislature projects constructed and any planned for construction from the State College Facilities Program.

The extension of funding through FY2039-40 would provide the NSCS with addition financing capacity and flexibility to consider opportunities available in the current low interest rate environment.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</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.

2021

LB⁽¹⁾ 588

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Coordinating Commission for Postsecondary Education

Prepared by: ⁽³⁾ Gary Timm Date Prepared: ⁽⁴⁾ 1/26/2021 Phone: ⁽⁵⁾ 402.471.0020

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

No fiscal impact to the commission.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>0</u>	<u>0</u>