

PREPARED BY: Clinton Verner
 DATE PREPARED: February 11, 2022
 PHONE: 402-471-0056

LB 1252

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$20,000,000			
CASH FUNDS				
FEDERAL FUNDS	\$20,000,000			
OTHER FUNDS				
TOTAL FUNDS	\$40,000,000			

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

LB1252 appropriates \$20,000,000 from Federal Funds pursuant to the American Rescue Plan and \$20,000,000 from General Funds to the Department of Economic Development to award grants “in urban areas authorized by the Middle Income Workforce Housing Investment Act”.

No basis to disagree with the Department’s estimated schedule of General Fund expenditures, however our office disagrees with their estimated schedule for ARPA expenditures for reasons listed below.

81-1238 states that grant awards under Middle Income Workforce Housing are to end at the end of FY22-23 with unexpended funds being transferred to the Affordable Housing Trust Fund at the beginning of FY25-26. Though ARPA funds must be kept separate, sec.1, subsection 3a states that ARPA funds can only be spent for grants authorized by the Middle Income Workforce Housing Act. As such, expenditures will also cease once the authority for the Middle Income Workforce Housing Act expires.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1252	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Patrick Redmond	DATE: 2/11/2022	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Department of Economic Development assessment of fiscal impact from LB 1252.		

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2022

LB⁽¹⁾ 1252

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Dearthmont Date Prepared: ⁽⁴⁾ 2/9/2022 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$4,000,000</u>	<u> </u>	<u>\$5,000,000</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u>\$1,500,000</u>	<u>\$20,000,000</u>	<u>\$3,000,000</u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u><u>\$5,500,000</u></u>	<u><u>\$20,000,000</u></u>	<u><u>\$8,000,000</u></u>	<u> </u>

Explanation of Estimate:

Section 1 of LB1252 seeks to appropriate \$20 million from the federal Coronavirus State Fiscal Recovery Fund for FY2022-23 to the Department of Economic Development to award grants for development of middle-income housing in urban areas authorized by the Middle-Income Workforce Housing Investment Act. Section 2 of the bill appropriates \$20 million from the State General Fund for FY2022-23 to DED to award grants for development of middle income housing in urban areas authorized by the Middle Income Workforce Housing Investment Act.

The department would be required to keep the two fund sources separate, as state guidelines require federal funds to be tracked separately from state funds. In addition, a new grant program using federal ARPA funds would have to be created to ensure compliance with federal statutes and regulations attached to the allocated federal funds. The ARPA funds will have to be allocated by 12/31/2024 and spent by 12/31/2026. The programs funded under LB1252 would require appropriate levels of additional staffing and infrastructure to support the use of the additional federal funds through at least 12/31/27 with record retention required through 12/31/31.

The appropriated state funds have no set performance end date requirement and would extend the time for which staff and infrastructure support would be required. The current Middle-Income Workforce Housing program calls for awards to end on 6/30/2023, with any remaining funds to be transferred to the Affordable Housing Trust Fund on 7/1/2025. The general funds to be appropriated via LB1252 do not appear to be transferred to the Middle-Income Workforce Housing Investment Cash Fund.

The administration of these two programs will need to be kept separate. Starting with the ARPA funded grant program, experience with the Middle-Income Workforce Housing Investment program, and the requirements for ARPA funds, the department believes that the grant payments would be distributed approximately 7.5%, 15%, 35%, 35% and 7.5% in fiscal years 2022-23 through 2026-27, respectively. Operating costs include \$22,730 annually for software licensing for the department’s grant management software, and \$9,300 annually for addition rent to house the new staff.

The General Fund portion of LB1252 will build on the current staffing for the Middle-Income Workforce Housing Investment program for management and distribution of funds. The department estimates the additional funding for this program will require a Economic Development Business Consultant I and an Internal Auditor. In addition, because this program is already in operation, the distribution of funds will be 20%, 25%, 25%, 25%, and 5% in fiscal years 2022-23 through 2026-27, respectively. Operating costs include \$22,730 annually for software licensing for the department’s grant management software, and \$3,990 annually for addition rent to house the additional staff. The bill carries the emergency clause, which will allow the current program to begin the hiring process before the start of FY2022-23.

Table 1: ARPA Funds

<u>BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE</u>				
<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
A49012 Econ Dev Bus Consultant II	1.00	1.00	\$62,410	\$63,980
A49011 Econ Dev Bus Consultant I	1.00	1.00	58,060	59,510
G21200 Internal Auditor	0.25	0.50	17,790	36,480
A19613 Fed Aid Administrator III	0.00	0.50	0	32,680
IT Business Systems Analyst	0.50	0.50	31,010	31,780
Sub Total Position Title	2.75	3.50	\$169,270	\$224,420
Benefits.....			67,710	89,770
Operating.....			66,130	77,220
Travel.....			16,930	55,440
Capital outlay.....			34,400	0
Aid.....			1,145,560	2,586,150
Capital improvements.....				
TOTAL.....			\$1,500,000	\$3,000,000

Table 2: General Funds

<u>BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE</u>				
Personal Services:				
<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
A49011 Econ Dev Bus Consultant I	1.00	1.00	\$58,060	\$59,510
G21200 Internal Auditor	0.50	0.50	35,590	36,480
Benefits.....			37,460	38,400
Operating.....			45,580	46,050
Travel.....			9,370	9,600
Capital outlay.....			25,800	0
Aid.....			3,788,150	4,809,970
Capital improvements.....				
TOTAL.....			\$4,000,000	\$5,000,000