

PREPARED BY: Clinton Verner
 DATE PREPARED: February 7, 2022
 PHONE: 402-471-0056

LB 1224

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				
CASH FUNDS				
FEDERAL FUNDS	\$100,000,000			
OTHER FUNDS				
TOTAL FUNDS	\$100,000,000			

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

LB1224 appropriates \$100,000,000 of Federal Funds pursuant to the American Rescue Plan to the Nebraska Department of Economic Development. Funds shall be used to provide grants for new and upgraded tourism attractions.

No basis to disagree with the Department’s estimated expenditure schedule. Of note, the Department indicates \$54,310 to be expended in FY21-22 that is not reflected in the above table.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1224	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Patrick Redmond	DATE: 2/7/2022	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Economic Development assessment of fiscal impact from LB 1224. The maximum funding available under the federal Coronavirus State Fiscal Recovery Fund is \$1.04 billion, of which only \$520 million is currently available. Appropriation of these funds must be balanced in aggregate in order to avoid over obligation.			

Estimate Provided by Agency or Political Subdivision

State Agency OR Political Subdivision Name:		Dept. of Economic Development				
Approved by: Dave Dearthmont		Date Prepared: 2/4/2022		Phone: 471-3777		
	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds						
Cash Funds						
Federal Funds	\$54,310		\$7,500,000		\$15,000,000	
Other Funds						
Total Funds	\$54,310		\$7,500,000		\$15,000,000	

Explanation of Estimate:

LB1224 seeks to appropriate \$100 million of federal ARPA funds to the Department of Economic Development to provide grants for new and upgraded tourism attractions. All grant awards pursuant to LB1224 must be coordinated and administered in compliance with the federal American Rescue Plan Act of 2021.

It is assumed that the tourist attractions eligible for grants under the bill will include a combination of public and privately-owned facilities, implying that there will be a mix of beneficiaries and sub-recipients for the federal funds. As it is expected that some of the grants made under this bill would be to subrecipients tasked with making the improvements, DED would need to develop, implement, and provide the subrecipient monitoring required to comply with federal regulations. This would require adequate staffing and infrastructure to support the program throughout the grant program’s lifecycle. Pursuant to the federal American Rescue Plan Act of 2021 and relevant federal regulations, the grant program developed under LB1224 would require appropriate staffing and infrastructure support through at least 12/31/27 and potentially record retention support through 12/31/31. The bill contains the emergency clause and takes effect when passed and approved according to law. For purposes of this fiscal note, DED assumes that the funds become available in FY2021-22.

The department believes that based on similar-sized grant programs, the provisions of LB1224 will require the full-time services of an Economic Development Manager, an Attorney II, and two Economic Development Business Consultant I’s to manage and design the program and the applications, and an Internal Auditor to monitor the sub-recipients among the grantees. In addition, it will require the half-time services of an IT Business Systems Consultant to create the application in the grant management software and assist grantees with their applications and grant payments, and a Federal Aid Administrator to process grant payments.

The department anticipates that the grants will be distributed on a cost reimbursement basis, and will be distributed roughly 7.5%, 15%, 35%, 35%, and 7.5% in FY2022-23 through FY2026-27, respectively. The operating costs will include annual payments for software licensing for the grant management software of \$191,070, and additional rent for housing staff of \$15, 940, beginning in FY2022-23.

Technical Note: According to recent Treasury’s guidance, “if the industry is in the travel, tourism, or hospitality sectors (including Tribal development districts), the industry is impacted.” As with any impacted industry “aid may only be provided to support businesses, attractions, and Tribal development districts operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic.” One of the enumerated eligible uses in this category is “Aid to mitigate financial hardship, such as supporting payroll costs, lost pay and benefits for returning employees, support of operations and maintenance of existing equipment and facilities.” The bill specifies uses for the funds outside of those enumerated. This could impact the number of eligible applicants as non-enumerated uses trigger a requirement that the use be related to and reasonably proportional to the harm suffered by the applicant. This could impact the ability to use ARPA funds in all aspects of developing new and upgraded tourism attractions.

Major Objects of Expenditure

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
G49550	Economic Development Manager	0.10	1.00	1.00	\$6,460	\$66,210	\$67,860
G3112	Attorney II	0.10	1.00	1.00	6,770	69,410	71,140
A49011	Economic Dev. Bus. Consultant I	0.00	1.50	2.00	0	87,090	119,020
G21200	Internal Auditor	0.00	0.50	1.00	0	35,600	72,960
A19613	Federal Aid Administrator III	0.00	0.25	0.50	0	15,940	32,680
A07081	IT Business Systems Analyst	0.00	0.50	0.50	0	31,010	31,780
	Total	0.20	4.75	6.00	\$13,230	\$305,260	\$395,440
Benefits.....					5,290	122,100	158,180
Operating Costs.....					18,590	191,070	209,220
Travel.....					0	30,520	39,540
Capital Outlay.....					17,200	34,400	0
Aid.....					0	6,816,650	14,197,620
Capital Improvements.....							
Total.....					\$54,310	7,500,000	\$15,000,000