

PREPARED BY: Clinton Verner
 DATE PREPARED: January 31, 2022
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LB 1125

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	\$75,000,000			
OTHER FUNDS				
TOTAL FUNDS	\$75,000,000			

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

LB1125 appropriates \$75,000,000 in federal funds pursuant to the American Rescue Plan Act to the Department of Economic Development of the purpose of issuing grants for the construction of new rail yards.

No basis to disagree with DED’s estimates of administrative impact. Expenditures will be dependent upon eligibility. The department estimates expenditures in FY21-22. However, the appropriation is for FY22-23.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1125	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Patrick Redmond	DATE: 2/1/2022	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Economic Development assessment of fiscal impact from LB 1125.			

Estimate Provided by Agency or Political Subdivision

State Agency OR Political Subdivision Name: **Dept. of Economic Development**
 Approved by: **Dave Dearmont** Date Prepared: **1/27/2022** 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	\$37,710	\$75,000,000	\$5,625,000		\$11,250,000	
Other Funds						
Total Funds	\$37,710	\$75,000,000	\$5,625,000		\$11,250,000	

Explanation of Estimate:

LB1125 seeks to appropriate \$75,000,000.00 to DED for the provisions of grants for new construction of industrial rail yards. The legislation identifies the transportation, manufacturing, and related industries in Nebraska as being impacted by the COVID-19 public health emergency. The grants for new construction of industrial rail yards are to address the indicated negative economic impact. Any award of a grant pursuant to this legislation by DED must be in compliance with the federal American Rescue Plan Act of 2021.

LB1125 would result in additional responsibilities for DED. DED would need to develop, implement, and provide the necessary monitoring required to comply with federal statutes and regulations related to the provision of grants as indicated. It is not clear from the legislation if the recipients would necessarily be beneficiaries or subrecipients of the funds. Whatever the case, this would require adequate staffing and infrastructure to support the program throughout the grant program’s lifecycle. The grant program developed under LB1125 would require appropriate staffing and infrastructure to support the grant program through at least 12/31/2027 and potentially record retention support through 12/31/2031.

The department estimates that LB1125 would require the services of an Economic Development Manager, and an Attorney II to develop a grant program, and review projects in accordance with ARPA rules, and an internal audit, to monitor sub-recipients of the grants. In addition, an 0.5 FTE, each for an IT Business Systems Analyst and a Federal Aid Administrator to assist applicants with the department’s grant management software and distribute aid under the programs. Based on past programs, the department believes that the funds would be distributed approximately 7.5%, 15%, 35%, 35%, 7.5% in FY2022-23 through FY2026-07, respectively.

Included in the operating costs are \$10,630 per year for additional rental space, and \$85,250 for software licensing for the grants management tool. LB1125 carries the emergency clause.

Technical Note: It should be noted that according to recent Treasury guidance, aid to impacted industries is “limited to entities operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic.” This limitation could impact the number of eligible applicants and subsequently the requirement to be reasonably proportional to the harm. This could impact the ability to use ARPA funds in all aspects of developing new commercial and industrial sites.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>21-22 FTE</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>21-22 Expenditures</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>
G49550	Economic Development Manager	0.10	1.00	1.00	\$6,050	\$66,210	\$67,860
A19613	Federal Aid Administrator III	0.00	0.25	0.50	0	15,940	32,680
A49011	Internal Auditor	0.00	0.25	1.00	0	17,790	72,960
G31112	Attorney II	0.10	1.00	1.00	6,770	69,410	71,140
A07081	IT Business Systems Analyst	0.00	0.50	0.50	0	31,000	31,780
	Total	0.20	3.00	4.00	\$12,820	\$200,350	\$276,420
Benefits.....					5,130	80,140	110,570
Operating Costs.....					2,560	136,210	151,510
Travel.....					0	20,030	27,640
Capital Outlay.....					17,200	34,400	0
Aid.....					0	\$5,153,870	10,683,860
Capital Improvements.....							
Total.....					\$37,710	\$5,625,000	\$11,250,000