

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$386,664	See below	\$347,120	See below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$30,794			
TOTAL FUNDS	\$386,664	See below	\$347,120	See below

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

LB637 creates the Destination Nebraska Act which does the following:

- States the purpose of the act;
- Declares findings of the Legislature;
- Sets definitions under the act and administration of the act within the Department of Economic Development (DED);
- Allows for persons to apply to DED to create a destination district until 12/31/2025 and describes the application;
- Allows for DED to review and notify the applicant of additional information needed for proper evaluation of the application;
- Caps the number of districts at two statewide;
- Sets the following eligibility requirements of a destination district:
 - o Total new development costs will exceed \$3,000,000,000;
 - o The project will attract new-to-market destinations and retail that will generate a minimum of 10,000,000 visitors per year;
- Approval of the application would establish the district boundaries as depicted in the map accompanying the application, the district is to last for 40 years and shall not exceed 5,000 acres in size. No portion of a destination district is to be considered part of the corporate limits of a city or village and no city or village may exercise any power whatsoever to collect any tax in a destination district and no destination district can be annexed by a city or village;
- Allows for amendments to be made to the district's borders after approval of the district;
- Creates a state occupation tax on transactions that occur within a destination district on property owned by the destination district applicant. Has DED set the occupation tax rate and guidelines for setting the rate and collection of the tax;
- Gives bonding authority to districts;
- In cases where real property within a destination district has been specially benefited by improvements constructed or installed in the district, the owner of such real property shall pay the destination district applicant a sum equivalent to the amount by which the real property has been specially benefited and allows for settlements of disputes;
- Allows DED to designate a trustee financial institution to hold in trust the occupation tax proceeds collected under the act and use funds in agreement with the destination district applicant to further the purposes of and take all actions allowed under the act;
 - o Allows funds to be used by the district for any eligible cost;
- Allows the Nebraska Department of Transportation (NDOT) to enter into agreements with the district to provide for construction of roads, bridges, and other necessary infrastructure;
- Allows for districts to contract for water, sewer, and electric service and also for fire protection service with political subdivisions;
- States that destination districts are to be considered a village for all purposes of Community Development law, allows for DED to form a community redevelopment authority (CRA) to exercise the powers contained with Community Development Law and clarifies that this includes sec. 18-2107 – 18-2147;
- Requires DED to appoint members of the CRA and allows for DED to remove members. Requires at least one member of the CRA to be a member of the county board of the county in which the development district is located; and
- Declares all areas within a destination district to be extremely blighted under Community Development Law.

No basis to disagree with estimates provided by the Departments of Revenue and Economic Development for administration of the act. Any revenue generated from the act is unknown as it would be dependent upon the levy set by the Department of Economic Development under Sec. 5, subsection 5, though it is presumed that the levy would be set to as nearly as possible cover administrative costs.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 637	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Ryan Yang	DATE: 2/14/25	PHONE: (402) 471-4178
COMMENTS: The Department of Revenue assessment of fiscal impact to the agency and no General Fund impact due to LB 637 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 637	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Ryan Yang	DATE: 2/14/25	PHONE: (402) 471-4178
COMMENTS: The Department of Economic Development assessment of fiscal impact due to LB 637 appears reasonable. Concur with the Department of Economic Development's technical note.		

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

2025

LB⁽¹⁾ 637

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Dearmont Date Prepared: ⁽⁴⁾ 2/11/2025 Phone: ⁽⁵⁾ (402) 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$291,570		\$285,820	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$291,570</u>		<u>\$285,820</u>	

Explanation of Estimate:

LB637 would create the Destination Nebraska Act to provide support for “unique Nebraska sports and mixed-use projects.” Under the provisions of LB637 “any person” could apply to the Department of Economic Development for the creation of a “destination district.” DED is charged with approving completed applications if: (1) approval would not exceed two approved “destination districts” in the state, (2) the applicant demonstrates that total new development costs will exceed \$3 billion, and (3) the applicant demonstrates that the “project” will attract new-to-market destination retail that will generate ten million or more visitors annually. Districts are limited to 5,000 acres and will exist for 40 years. Once a destination district is formed, the district is a village for purposes of the Community Development Law (CDL), and DED may form a community redevelopment authority on behalf of the destination district which would be authorized to exercise the powers contained in the CDL. Once formed, DED appoints, and may remove, members of the community redevelopment authority.

LB637 also charges DED with determining an occupation tax rate, sufficient to further the purposes of the Act, to be imposed on transactions subject to Section 77-2703 that occur within a destination district and on property owned by the applicant. Prior to determination of the rate, DED must first provide public notice and hold a public hearing. DED may designate a trustee financial institution to hold, manage and spend, in accordance with the act, the occupation tax collected in a fund for the benefit of the destination district.

DED estimates that the provisions of LB637 will require the services of an Attorney III, an Economist, and an IT Data/Database Analyst to administer the provisions of LB637. The bill contains many provisions that are similar to the Good Life Transformational Projects Act, which has required the attention of a full-time attorney. In addition, LB637 would require public hearings, appointing and removing members of the community redevelopment authority, and dealing with issues where the bill is not clear. Reviewing the economic impact statements for applications and an unknown number of annexation requests and determining the appropriate occupation tax rates will require the services of an Economist. Finally, identifying district boundaries and business within the districts will require IT assistance.

Technical Note: LB637 is silent as to use of excess funds collected from occupation tax (if any) imposed within the Destination District. Furthermore, the bill as drafted provides no oversight, audit, or ability to terminate a district for failure to comply with the Act. The bill appears to provide no guidance on how to treat applications, for example, first-come-first-served, nor does it give DED authority to judge the adequacy of any of the elements of the application beyond whether they are included in the application.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G31113 Attorney III	1.00	1.00	\$91,490	\$91,490
A13910 Economist	0.50	0.50	34,410	34,410
A07051 IT Data/Database Analyst	0.50	0.50	36,930	36,930
Total	2.00	2.00	\$162,830	\$162,830
Benefits.....			56,990	56,990
Operating.....			46,870	48,900
Travel.....			16,280	17,100
Capital outlay.....			8,600	0
Aid.....				
Capital improvements.....				
TOTAL.....			\$291,570	\$285,820

State Agency Estimate

State Agency Name: Department of Revenue						Date Due LFO:		
Approved by: James R. Kamm			Date Prepared: 02/14/2025		Phone: 471-5896			
	<u>FY 2025-2026</u>			<u>FY 2026-2027</u>			<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$95,094	\$ 0		\$61,300	\$ 0		\$61,300	\$ 0
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$95,094	\$ 0		\$61,300	\$ 0		\$61,300	\$ 0

LB 637 would create the “Destination Nebraska Act” (Act). Applicants would have until December 31, 2025, to apply for the creation of a Destination District (Dest. Dist.). A proposed Dest. Dist. would have development costs exceeding \$3 billion and have destinations and retail generating at least 10 million visitors annually. The Department of Economic Development (DED) would approve eligible applications until the maximum number (two) is reached.

State sales and use taxes would still be imposed on the Dest. Dist. A new state occupation tax would be imposed on transactions made within the Dest. Dist. on property owned by the Dest. Dist. applicant. The rate of the occupation tax would be set by the DED following notice and a public hearing. The occupation tax rate will be “sufficient to further the purposes of the [Act]” and would be collected in the same manner as sales and use taxes. The Dest. Dist. applicant would need to agree on any spending of the collected occupation tax.

A trustee financial institution would hold in trust the amount of occupation tax collected and use the funds in accordance with the Act. The Dest. Dist. would be empowered to construct infrastructure and may contract for utility and public safety services, such as fire, EMS, water, electrical, and sewage.

It is estimated that this bill will have no impact on General Fund revenues.

The Department of Revenue will need one Revenue Agent to implement the bill. Also, LB 637 will require a one-time programming charge of \$30,794 paid to the OCIO for development costs.

The operative date for this bill is three months after adjournment of the Legislature.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
X29222	Revenue Agent	1.0	1.0	1.0	\$44,600	\$46,100	\$46,100
Benefits.....					\$14,700	\$15,200	\$15,200
Operating Costs.....					\$30,794	\$0	\$0
Travel.....							
Capital Outlay.....					\$5,000	\$0	\$0
Capital Improvements.....							
Total.....					\$95,094	\$61,300	\$61,300

2025

FISCAL NOTE

Prepared by: (3) Jenessa Boynton Date Prepared: (4) 2/12/2024 Phone: (5) 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

LB637 would establish the Destination Nebraska Act to promote and develop the general and economic welfare of the state and its communities by providing support for unique sports and retail mixed-use projects to create jobs and attract tourists. If enacted, the bill would allow the Department of Transportation to enter into agreements with the destination district applicant to provide for construction of 439033 roads, bridges, and other infrastructure within the destination district.

If LB637 is enacted and a destination district is created, it is anticipated there will be an impact on sales and use tax revenues from any increased economic activity resulting in taxable sales. The increase in sales and use tax revenues would increase revenues generated under the Build Nebraska Act which is shared by the Highway Trust Fund for NDOT and the Highway Allocation Fund for cities and counties. The increase in sales and use tax revenue is indeterminate.

Also, it is assumed for the purposes of this fiscal note that the construction of roads, bridges, and other infrastructure within the destination district would be at the expense of the district. As a result, no fiscal impact is anticipated to the Department.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				