

Amendments adopted on Select File

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY2021-22 + FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	12,000,000	(21,000,000)	0	(16,000,000)
CASH FUNDS	55,000,000	0	0	0
FEDERAL FUNDS	381,814,178	0	0	0
OTHER FUNDS	0	0	0	0
<b>TOTAL FUNDS</b>	<b>448,814,178</b>	<b>(21,000,000)</b>	<b>0</b>	<b>(16,000,000)</b>

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

LB 1024 as amended adopts the Economic Recovery Act.

Section 4 provides direction as to the duties of the Economic Recovery and Incentives Division of the Department of Economic Development created in Section 8. The main duty of the division is to administer grants. By August 1, 2022 the division is to develop a preliminary coordinated plan and grant application and scoring process. A final copy of the plan is to be completed by December 1, 2022.

Subsection 3(a) creates the Qualified Census Tract Recovery Grant Program with the following:

- (b) Up to \$10 million for grantees in qualified census tracts in a city of the primary class
- (c) Up to \$10 million to grantees outside of a city of a metro class or primary class
- (d) remaining funds to grantees in a city of metro class, no less than \$35 million south Omaha, no less than \$55 million north Omaha

Subsection 4 directs DED for other grants:

- (a). Business park grant maximum of \$60,000,000
- (b). innovation hub grants maximum of \$30,000,000
- (c). internships and crime prevention maximum of \$3 million per year, total of \$6,000,000
- (d). Nebr film office for film on Chief Standing Bear maximum of \$5,000,000
- (e). Grants to prepare land parcels for affordable housing - metro class city, maximum of \$20,000,000
- (f). Grants to prepare land parcels for affordable housing – primary class city, maximum of \$20,000,000
- (g). Grants to County ag society, primary class, maximum of \$5,000,000
- (h) Grants financial literacy program, qualified census tract in metro city, maximum of \$1,000,000.

Section 5 creates the Economic Recovery Special Committee of the Legislature. The committee is to receive the preliminary and final reports prepared by the Economic Recovery Division. Also by June 30, 2022 the committee is to solicit RFP's to conduct studies on the uses of ARPA and state funds. Section 5 also includes intent to appropriate \$2 million to carry out the studies. No fund source is specified.

Section 6 creates the Economic Recovery Contingency Fund

Section 7 includes intent to appropriate \$250 million of ARPA-Coronavirus State Fiscal Recovery Funds (ARPA-CSFRF) for purposes of the Economic Recovery Act. The section also includes intent to appropriate \$3,074,000 of United States Economic Development Administration's American Rescue Plan Travel, Tourism and Outdoor Recreation program funds (ARPA-EDA).

- (1) Intent to appropriate \$250 million from ARPA-CSFRF
- (2) DED can't expend \$80 million until DED submits their final plan to the special committee.
- (3) Treasurer shall transfer interest earned on ARPA-CSFRF to contingency fund
- (4) Intent to appropriate unobligated ARPA-CSFRF funds as of July 1, 2024 to DED
- (5) Intent to appropriate \$10M to DED to carry out the act
- (6) Intent to transfer \$10M in FY24 and FY25 to the Contingency fund

Section 8 Add Economic Recovery Division and Housing Division to list of DED divisions

Section 13 provides DED direction on the distribution of the federal Coronavirus Capital Projects Fund under the federal American Rescue Plan Act of 2021:

(a) no more than \$40 million to eligible projects that are located within a congressional district which contains a city of the metropolitan class.

(b) no less than \$40 million to eligible projects that are located within a congressional district which DOES NOT contain a city of the metropolitan class.

The initial grant application period under this section is between July 1 and July 15 of 2022.

Section 14 includes intent to appropriate \$128,740,178 of the ARPA-Coronavirus Capital Projects Fund monies.

Section 15 includes intent to appropriate \$3,074,000 of the United States Economic Development Administration's American Rescue Plan Travel, Tourism and Outdoor Recreation program funds. Grants shall be awarded as follows:

(2a) No less than \$1 million to eligible grantees located within qualified census tracts within metropolitan city

(2b) No less than \$1 million to eligible grantees located within qualified census tracts within primary class city

(2c) No less than \$1 million to eligible grantees located within qualified census tracts outside of metro or primary class city

Section 16 transfers \$55 million from the Cash Reserve Fund to the Economic Recovery Contingency Fund on or before June 30, 2022.

No basis to disagree with the DED estimates of administrative costs and timing of grants. The administrative costs appear high but there are substantial costs with the creation of a new division and the duties and responsibilities required by the bill. Overall the administrative costs would be approximately 4.5% of funds being administered.

Total funding as provided for in the bill is summarized as follows:

Funding	FY2021-22	FY2022-23	FY2023-24	Future	Total	Section
Gen Fund - Leg Council	2,000,000	0	0	0	2,000,000	Sec 7
Gen Fund - DED	5,000,000	5,000,000	0	0	10,000,000	Sec 7
Contingency Fund - Gen Fund transfers	0	10,000,000	10,000,000	0	20,000,000	Sec 7
Contingency Fund - interest on ARPA funds	0	11,000,000	6,000,000	3,000,000	20,000,000	Sec 7
Contingency Fund - Cash Reserve Fund transfer	55,000,000	0	0	0	55,000,000	Sec 16
Fed Funds - ARPA - CSFPF	0	250,000,000	0	0	250,000,000	Sec 7
Fed Funds - ARPA - EDA	0	3,074,000	0	0	3,074,000	Sec 15
Fed Funds - ARPA - Capital Projects	0	128,740,178	0	0	128,740,178	Sec 14
<b>Total Funds</b>	<b>62,000,000</b>	<b>407,814,178</b>	<b>16,000,000</b>	<b>3,000,000</b>	<b>486,814,178</b>	

While the appropriations are mostly made in FY21-22 and FY22-23, actual cash flow of expenditures will likely be significantly difference required reappropriation of unexpended balances. The following is an estimate of the cash flow of the funds provided.

Cash Flow	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27	5 yr total
Agency Costs	2,500,190	3,497,860	4,372,325	4,481,633	4,593,674	19,445,682
Grants and Aid	23,741,960	35,963,240	188,360,755	165,877,429	53,351,112	467,294,496
Subtotal - DED	26,242,150	39,461,100	192,733,080	170,359,062	57,944,786	486,740,178
Special Committee	2,000,000	0	0	0	0	2,000,000
<b>Total</b>	<b>28,242,150</b>	<b>39,461,100</b>	<b>192,733,080</b>	<b>170,359,062</b>	<b>57,944,786</b>	<b>488,740,178</b>

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1024	AM: 2687	AGENCY/POLT. SUB: Legislative Council
REVIEWED BY: Patrick Redmond	DATE: 4/1/2022	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Legislative Council assessment of fiscal impact from LB 1024 as amended by AM 2687.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1024	AM: 2687	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Patrick Redmond	DATE: 4/5/2022	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Department of Economic Development assessment of no fiscal impact from LB 1024 as amended by AM 2687.		

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**2022**

**LB<sup>(1)</sup> 1024 (AM2687)**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> 003 Legislative Council

Prepared by: <sup>(3)</sup> Diane Nickolite Date Prepared: <sup>(4)</sup> 4/1/2022 Phone: <sup>(5)</sup> (402) 471-2226

**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>2,000,000</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
CASH FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUNDS</b>	<u><b>2,000,000</b></u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Explanation of Estimate:**

The Economic Recovery Special Committee of the Legislature is created as a special committee of the Legislature to perform the duties provided in the Economic Recovery Act. There is an appropriation of 2 million for fiscal year 2022-23 to carry out the purposes of this bill which may include hiring addition staff, make expenditures for travel, and enter into contracts for consulting, engineering, and development studies.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**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>
Benefits.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating.....	<u>                    </u>	<u>                    </u>	<u>2,000,000</u>	<u>                    </u>
Travel.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital outlay.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Aid.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital improvements.....	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL.....</b>	<u>                    </u>	<u>                    </u>	<u>2,000,000</u>	<u>                    </u>

**Estimate Provided by Agency or Political Subdivision**

State Agency OR Political Subdivision Name:	Dept. of Economic Development					
Approved by: Dave Dearthmont	Date Prepared: 4/1/2022			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						
Other Funds						
Total Funds	\$0					

**Explanation of Estimate:**

LB1024, as amended by AM2687 would create the Economic Recovery Act—which would include several new grant programs—, and the Economic Recovery Special Committee of the Legislature. The bill names two new divisions in DED, an “Economic Development and Incentives” division (DED-ER&I), and a “Housing” division. The bill would also create the Economic Recovery Contingency Fund cash fund in DED. The bill would also make changes to Sections 81-1238 and 81-1239, which deal with housing programs.

The Economic Recovery Act created by LB 1024, as amended, would require the special Legislative committee to issue an RFP to commission a study of potential eligible uses of federal ARPA funds or state funds within, or adjacent to, qualified census tracts located within the boundaries of a city of the metropolitan class. The study would include potential eligible uses of ARPA funds in the areas of entrepreneurship, housing, employment, job creation, and small business assistance. Copies of these studies will be made available to DED-ER&I. The bill, as amended, contains intent language to appropriate \$2 million for FY2022-23 to cover the costs of the study. DED-ER&I would then develop a coordinated plan to direct and prioritize the use of grants toward the economic recovery of those communities and neighborhoods. The plan would emphasize housing needs, job training, assistance for small businesses, and business development. By 8/1/2022, DED-ER&I would submit an initial copy of the coordinated plan to the Legislative committee for review, and submit a final copy, no later than 12/1/2022. The coordinated plan may rely on the results of the studies commissioned by the Legislative committee. All grants made by DED-ER&I using ARPA funds shall be eligible uses for these funds.

LB1024 as amended by AM2687, creates the Qualified Census Tract Recovery Grant Program to provide funding to public and private entities located within any qualified census tracts (QCTs) in Nebraska. These grants would be prioritized according to the coordinated plan developed by DED with the assistance of the special Legislative committee, and funded through ARPA funds for the following amounts:

- Up to \$10 million for qualified projects in QCTs in Lincoln
- Up to \$10 million for qualified projects in QCTs outside Lincoln and Omaha
- No less than \$35 million for qualified projects in QCTs in South Omaha
- No less than \$55 million for qualified projects in QCTs in North Omaha

In addition, to Qualified Census Tract Recovery Grant program grants will be provided for the following

- Up to \$60 million to a non-profit economic development organization for a business park in or adjacent to QCTs in Omaha that are within two miles of a major airport
- Up to \$30 million to one or more Innovation Hubs located in QCTs within two miles of a major airport in Omaha
- Up to \$3 million in FY2022-23 and FY2023-24 for internships and crime prevention in QCTs in Omaha
- Up to \$10 million to a non-profit film industry organization for producing a film on Chief Standing Bear
- Up to \$20 million to prepare land parcels for affordable housing in QCTs in Omaha

- Up to \$20 million to prepare land parcels for affordable housing in QCTs in Lincoln
- Up to \$5 million to recoup lost revenue for an agricultural society in Lincoln
- Up to \$1 million to a postsecondary institution located in a QCT to provide funding for a financial literacy program for individuals residing in QCTs.

LB1024, as amended, contains intent language to appropriate \$250 million from federal ARPA funds for providing grants under the Qualified Census Tract Recovery Grant Program, but no more than \$80 million may be expended prior to completion of the coordinated plan and its submission to the special committee. In addition to the Qualified Census Tract Recovery Grant program grants, DED shall make grants from the \$128,614,800 allocated to Nebraska from the Coronavirus Capital Projects Fund. These funds are included in the \$250 million appropriation of ARPA funds. The Capital Projects fund is used to provide grants for projects as follows:

- Up to \$40 million to eligible projects in Omaha, for multipurpose community facilities
- At least \$40 million to eligible projects in the first Congressional District
- At least \$40 million to eligible projects in the third Congressional District

Applications for these grants will begin on July 1, 2022 through July 15, 2022; however DED could open additional grant application periods as needed until all funds are allocated.

Finally, LB1024 as amended, would appropriate \$3,074,000 of federal funds from the US Department of the Treasury Economic Development Administration's (EDA) Travel, Tourism, and Outdoor recreation grant program. These grants would be made to eligible grantees as follows, but will need to conform to the requirements of the EDA program:

- No less than \$1 million to eligible grantees located within one or more QCTs in Omaha
- No less than \$1 million to eligible grantees located within one or more QCTs in Lincoln
- No less than \$1 million to eligible grantees located QCTs located outside of Lincoln or Omaha.

LB1024, as amended, would result in numerous additional responsibilities for DED. The department would need to create and staff the new Economic Recovery and Incentives Division, under the Economic Recovery Act. In addition, grants from the Capital Projects funds to all qualified census tracts appropriated to DED would create the need for additional staffing outside the new division. DED would need to develop programs conforming to the coordinated plan, develop programs and applications, implement rules and provide for the required monitoring and reporting needed to comply with federal statutes and regulations related to the provision of grants to yet unspecified groups and undeterminable number of both beneficiaries and subrecipients. This would require adequate staffing and infrastructure to support the program throughout the grant program's lifecycle. The grant programs developed under LB1024 would require appropriate staffing and infrastructure to support the grant programs 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.

DED would need to develop applications and programs, develop and implement rules, and provide for the required monitoring and reporting needed to comply with federal statutes and regulations related to the provision of grants to an unspecified group and undeterminable number of both beneficiaries and subrecipients. This would require adequate staffing and infrastructure to support the program throughout the grant program's lifecycle. The grant programs developed under LB1024 would require appropriate staffing and infrastructure to support the grant programs through at least 12/31/27, and potentially record retention support

through 12/31/31.

For purposes of estimating administrative costs, DED assumes that \$253.074 million in federal ARPA funds will be distributed through grants beginning in FY2022-23 and \$10 million in General Funds to provide grants through the Economic Recovery Act in FY2022-23. Based on the staffing levels of current housing and business development programs adjusted for the total size of the grants, it is estimated that the department will require 27 FTE to administer the provisions of LB1024, as amended, during the peak of the ARPA program, declining to a number necessary for federal monitoring and auditing by the end of FY2026-27. DED assumes that 16 to 20 of the new positions in the Economic Recovery and Incentives division in DED will be housed in Omaha, and between 7 and 11 will be housed in Lincoln. Staffing includes an Economic Development Business Recruitment/Development Manager and two Economic Development Managers to assist in developing and managing the coordinated plan and grant programs; two Attorney III's and one Attorney II, to assist in developing program guidelines and rules, produce grant contracts and review grants applications for ARPA qualification; three Economic Development Business Consultant III's, two Economic Development Business Consultant II's and 10 Business Consultant I's to manage grants; three Internal Auditors to monitor the sub-recipients among the grantees; and two Federal Aid Administrator III's and one IT Business Systems Analyst to assist grantees with the grant management system, record keeping, and making payments to grantees. Included in the staffing for the \$3.074 million EDA grant are the services of one Economic Development Manager, 0.75 FTE Economic Development Consultant I, and 0.25 FTE of a Federal Aid Administrator III.

The department anticipates that \$263.074 million in grants will be distributed on a cost reimbursement basis. This includes only the appropriations of \$250 million in ARPA funding, \$10 million in General Funds, and \$3.074 million in EDA funds. In total, from FY2021-22 through FY2026-27 DED estimates that total administration costs will equal 5.5% of the total appropriation. DED expects that these funds will be distributed roughly 10%, 15%, 35%, 35%, and 5% in FY2022-23 through FY2026-27, respectively. The operating costs will include annual payments for software licensing for the grant management software of \$298,940 and additional rent of \$71,730, beginning in FY2022-23 for Omaha and Lincoln operations.

**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
G49540	Econ. Dev Bus. Recruitment/Dev. Manager	0.10	1.00	1.00	\$7,460	\$76,510	\$78,420
G31113	Attorney III	0.10	1.75	2.00	10,050	150,230	175,980
G31112	Attorney II	0.00	0.75	1.00		52,050	71,140
A49011	Econ. Dev Business Consultant I	0.00	5.00	10.00		290,300	595,110
A49012	Econ. Dev Business Consultant II	0.00	1.50	2.00		93,620	127,950
A49013	Econ. Dev Business Consultant III	0.00	2.50	3.00		167,740	206,320
G49550	Econ. Dev Manager	0.00	1.50	2.00		99,310	135,730
G21200	Internal Auditor	0.00	1.00	3.00		71,180	218,870
A19613	Federal Aid Administrator III	0.00	0.75	2.00		47,820	130,710
A07081	IT Business Systems Analyst/Coordinator	0.10	1.00	1.00	6,450	66,150	67,800
	Total	0.30	16.75	27.00	23,960	1,114,910	1,808,030
Benefits.....					9,590	445,970	723,220
Operating Costs .....					3,500	595,110	734,630
Travel.....					2,400	180,800	180,380
Capital Outlay.....					25,800	163,400	51,600
Aid.....					0	23,741,960	35,963,240
Capital Improvements.....							
Total.....					\$65,250	\$26,242,150	\$39,460,670