PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 16, 2021 (402)471-0050

**LB 39** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 2021-22 FY 2022-23							
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE					
GENERAL FUNDS		See Below		See Below				
CASH FUNDS	\$25,300	See Below	\$51,635	See Below				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	\$25,300	See below	\$51,635	See below				

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

LB 39 changes various provisions of the Sports Arena Facility Financing Assistance Act. Most notably, LB 39 introduces the classification of sports complexes into the Act. LB 39 redefines "new revenue" for eligible sports arena facilities that are not complexes, and introduces a new revenue definition for facilities that are sports complexes. Furthermore, LB 39 redefines project completion date, differentiating between projects involving the acquisition or construction of an eligible facility and all other projects.

LB 39 carries the emergency clause, and as such would go into effect immediately upon passing.

## Revenue:

The Department of Revenue estimates the fiscal impact on the General Fund and Cash Funds is unknown and contingent on the number of future qualifying sports complex facility projects, but depending on the location and nearby businesses, the reduction in state sales tax revenue could be significant. We agree that the fiscal impact of LB 39 will be dependent upon the location of each facility, surrounding businesses' sales tax collections, and the total number of facilities that qualify for incentives under the bill. It is not possible to determine the total fiscal impact due to these factors.

The department notes that, for comparison purposes, pursuant to the Sports Arena Facility Financing Assistance Act and Convention Center Facility Financing Assistance Act, for three current projects, a total of \$14.017 million was transferred in FY19-20. For example, the Ralston Arena, the smallest of the three and an approved facility under the Sports Arena Facility Financing Assistance Act, generated \$4.41 million in sales tax pursuant to the act in FY19-20, of which \$3.08 million was state assistance and \$1.32 million was deposited in the Civic and Community Center Financing Fund. We estimate that, for each new sports complex under LB 39, the amount transferred is likely to be less than for each of the currently-approved facilities, as each project will likely be of a smaller scale. However, the overall fiscal impact could be substantial based on the number of approved facilities.

## **Expenditures**

The Department of Revenue estimates no costs to implement LB 39. There is no basis to disagree with this estimate.

The Department of Economic Development estimates the need for a 0.5 FTE DED Business Consultant to administer the additional grants expected as a result of LB 39. There is no basis to disagree with this estimate.

ADMIN	IISTRATIVE SERVICES	S STATE BUDGET DIVISION: REVIEW	V OF AGENCY & POLT. SUB. RESPONSE			
LB: 39	LB: 39 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED E	BY: Neil Sullivan	DATE: 2/16/2021	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the Department of Revenue assessment of indeterminate fiscal impact from LB 39.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 39 AM: AGENCY/POLT. SUB: Department of Economic Development							
REVIEWED BY: Neil Sullivan DATE: 2/12/2021 PHONE: (402) 471-4179							
COMMENTS: The Department of Economic Development assessment of administrative expense and indeterminate revenue impact from LB 39 appears reasonable.							

ADMII	NISTRATIVE SERVICE	S STATE BUDGET DIVISION: REVIE	W OF AGENCY & POLT. SUB. RESPONSE			
LB: 39	AM:	AGENCY/POLT. SUB: City of I	Lincoln			
REVIEWED	BY: Neil Sullivan	DATE: 1/25/2021	PHONE: (402) 471-4179			
COMMENTS: No basis to disagree with the City of Lincoln assessment of no fiscal impact from LB 39, impact would be dependent upon approval of eligible projects.						

LB 39 Fiscal Note 2021

State Agency Estimate							
State Agency Name: Department	of Revenue				Date Due LFA:		
Approved by: Tony Fulton	Date Prepared:	2/16/2021 Phone: 471-5896					
FY		-2022	FY 2022-2023		FY 2023-2024		
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	<b>Expenditures</b>	Revenue	
General Funds		See below	1	See below		See below	
Cash Funds	See below		See below		See below		
Federal Funds							
Other Funds							
Total Funds	See below	See below	See below	See below	See below	See below	

LB 39 makes changes to the Sports Arena Facility Financing Assistance Act and is effective when passed and approved. It adds "multipurpose field", "sports complex", "sports venue" and "project completion date" to the definitions in § 13-3102. Project completion date means, "For projects involving the acquisition or construction of an eligible sports arena facility, the date of initial occupancy of the facility following the completion of such acquisition or construction; or for all other projects, the date of completion of the project for which state assistance is received." It also adds "any sports complex, including concession areas, parking facilities, and onsite administrative offices connected with operating the sports complex" to the definition of "eligible sports arena facility." "Increase in state sales tax revenue" is calculated using the fiscal year that ended immediately preceding the "project completion date" instead of the "date of occupancy."

The definition of "new state sales tax revenue" is split into two parts. For an eligible sports arena facility that is not a sports complex the definition of "new state sales tax revenue" is retained excepting LB 39 uses "project completion date" instead of the date of "occupancy" in the calculation. For an eligible sports arena that is a sports complex, "new state sales tax revenue" means "one hundred percent of the state sales tax revenue that is collected by a nearby retailer that commenced collecting state sales tax during the period of time beginning on the date that the project commenced and ending forty-eight months after the project completion date of the eligible sports arena facility" and is sourced under sections 77-2703.01 to 77-2703.04 to the program area. The remaining sections harmonize §§ 13-3103, 13-3104, 13-3105 and 13-3106.

The revenue impact on the General Fund and Cash Funds are unknown and contingent upon future qualifying sports complex facility projects. Depending on the location of these projects and the nearby businesses, there is potential for a significant reduction in state sales tax revenue. For comparison purposes, \$14.017 million was transferred during fiscal year 2019-2020 under the terms of the Sports Arena Facility Financing Assistance Act and the Convention Center Facility Financing Assistance Act for three current projects.

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure								
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures	
Benefits								
Operating Costs								
	Travel							
Capital Outlay								
	Capital Improvements.							
Total	Total							

LB <sup>(1)</sup> 39				FISCAL NOTE				
State Agency OR Political Subdivision Name: (2)		Nebraska Department of Economic Development						
Prepared by: (3)	Anthony Goins	Date Prepared: (4)	1/19/2021 Phone: (5)	402-471-3777				
	ESTIMATE PROVID	DED BY STATE AGEN	CY OR POLITICAL SUBDIVIS	SION				
	FY	2021-22	FY 202	FY 2022-23				
	<b>EXPENDITURES</b>	REVENUE	<b>EXPENDITURES</b>	REVENUE				
GENERAL FUNI	DS							
CASH FUNDS	\$25,300	(See Below)	\$51,635	(See Below)				
FEDERAL FUNI	os							
OTHER FUNDS			<u> </u>					
TOTAL FUNDS	\$25,300	(See Below)	<u>\$51,635</u>	(See Below)				

## **Explanation of Estimate:**

LB39 would expand the definition of sports facility to include "any sports complex, including concession areas, parking facilities, and onsite administrative offices connected with operating the sports complex" for purposes of the Sports Arena Facility Financing Assistance Act. The bill defines sports complex to include indoor, and/or outdoor, venues that are primarily used for competitive sports, and venues are defined to include such things as baseball, softball, or multipurpose fields, and other indoor or outdoor facilities used for competitive sports.

If an application is made to approve a sports facility under the act to the board and the board approves, the city may receive a turnback of the state sales tax from nearby retailers from the time beginning with the start of the project and ending 48-months after the completion of the project.

Under Section 13-3108(9), 30% of the state sales tax revenue shall be "appropriated by the Legislature and transferred to the Civic and Community Center Financing Fund." This fund is used by DED to make grants to applicants for civic and community centers. The additional amount of turnback flowing into the fund is unknown; however, it could significantly increase the number of grants that can be awarded under the DED program. This would result in additional applications to score and grants to be monitored. This is expected to result in the need for an increase of 0.5 FTE of a DED Business Consultant, beginning in January of 2022, to administer and monitor the additional grants.

BREAKI	OOWN BY MAJO	OR OBJECTS OF	EXPENDITURE		
Personal Services:					
	NUMBER OF	FPOSITIONS	2021-22	2022-23	
POSITION TITLE	<u>21-22</u>	<u>22-23</u>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>	
A49310 Econ Dev Bus. Consultant	0.25	0.50	\$14,855	\$30,455	
Benefits	<u> </u>		5,945	12,180	
Operating			3,000	6,000	
Travel			1,500	3,000	
Capital outlay					
Aid					
Capital improvements					
TOTAL	•••••		\$25,300	\$51,635	

<b>LB</b> <sup>(1)</sup> 39						<b>FISCAL NOTE</b>
State Agency OR P	olitical Subdivision Name:	City	of Lincoln			
Prepared by: (3)	James Van Bruggen	Da	te Prepared: (4)	1/22/21	Phone: (5)	402-441-8301
	ESTIMATE PRO	VIDED BY	STATE AGENC	Y OR POLITIC	CAL SUBDIVISIO	<u>ON</u>
	]	FY 2021-29	<u>2</u>		FY 2022	<b>-23</b>
	EXPENDITUR	RES	<u>REVENUE</u>	EXPEND	<u>DITURES</u>	<u>REVENUE</u>
GENERAL FUNI	DS					
CASH FUNDS		<u> </u>				
FEDERAL FUND	os					
OTHER FUNDS						
TOTAL FUNDS						
Explanation of Es	stimate:	<u>=</u>				
No fiscal impact	t.					
	RREAKD	OWN RV N	MAJOR OBJECTS	S OF EXPEND	TURF	
Personal Services		OWNBIN	MAJOR OBJECT	SOF EXIEND	<u> TUKE</u>	
POSIT	ION TITLE	NUMBER <u>21-22</u>	OF POSITIONS  22-23		1-22 DITURES	2022-23 EXPENDITURES
Benefits						
Operating						
Travel						
Capital outlay						
Aid						
Capital improvem	nents					
TOTAL T						