

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|---------|-------------------|---------|
| | FY 2014-15 | | FY 2015-16 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | See below | | See below | |
| CASH FUNDS | See below | | See below | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | | |

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

LB 1016 authorizes the Department of Aeronautics to purchase a new aircraft and states the intent of the Legislature to fund such purchase with General Funds and other funds. The bill provides that the Piper Cheyenne currently owned by the state is to be sold with the proceeds retained for preventive maintenance funding for the new aircraft. The bill also assigns the responsibility to operate, maintain, and hanger the purchased aircraft to the Nebraska Emergency Management Agency (NEMA) pursuant to an agreement with the Department of Aeronautics.

The study commissioned by the Legislature (LB 194) to determine the appropriate aircraft for the state to purchase indicated the King Air C90GTx had the lowest costs over a 20-year life cycle. A new King Air C90GTx retails for approximately \$3.85 million. The Department of Aeronautics has money in two reserve accounts that totaled \$564,415 as of December 31st (\$150,035 in the reserve account for the Cheyenne that will be sold, and \$414,380 in the reserve account of a Navajo that was sold in 2004). This \$564,415 can be used to reduce the General Fund appropriation needed for the purchase of the new C90GTx, reduce the cost per hour and therefor rental rate charged to users of the plane, and pay for costs incurred on the Cheyenne while it is on the market. It will be up to the Legislature to determine the proper fund mix between the General Fund and other funds for the purchase of a new aircraft and to appropriate the necessary amounts. It is estimated that \$365,000 to \$500,000 would be generated from the sale of the Cheyenne for preventive maintenance. Statistics indicate that on average the Cheyenne will be on the market for 552 days before it is sold.

The provision that NEMA operate, maintain, and hanger the new aircraft pursuant to an agreement with the Department of Aeronautics could have a General Fund impact depending on the agreement. All of these activities are currently performed by the Department of Aeronautics and funded by their cash fund. NEMA does not currently have the ability to take over any of these responsibilities. If the agreement has the Department of Aeronautics continuing to perform all duties and these duties continue to be financed from their cash fund there would not be a General Fund fiscal impact. If NEMA is required to begin performing new duties they would have an increase in expenditures and a need for General Funds while Aeronautics would realize a decrease in expenditures. NEMA's attached fiscal note indicates \$291,200 of General Fund expenditures in FY14-15 and FY15-16. Eventually they anticipate revenue generated from the hourly charge of the new plane to offset all but \$86,700 of this General Fund cost annually. The agreement between NEMA and the Department of Aeronautics will control how expenditures to operate and maintain the King Air C90GTx are financed. Since this agreement has yet to be executed it is difficult to determine the fiscal impact of this provision of LB 1016.

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

2014

LB⁽¹⁾ 1016

**FISCAL
NOTE**

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Emergency Management Agency

Prepared by: ⁽³⁾ Al Berndt Date Prepared: ⁽⁴⁾ 29 January 2014 Phone: ⁽⁵⁾ 402-471-7410

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2014-15 | | FY 2015-16 | |
|--------------------|---------------------|---------|---------------------|---------|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$291,200.00 | | \$291,200.00 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | <u>\$291,200.00</u> | | <u>\$291,200.00</u> | |

Explanation of Estimate:

For FY 2014/2015— General Fund revenue would be needed to assist with NEMA paying for associated costs previously covered by Aeronautics use of their cash fund and costs recovered through use of the airplane by other state agencies. Since NEMA would be starting from inception with the purchase of the plane, there would be a time lapse before Aeronautics would start Inter-Fund Business Transfer (IBT) revenue back to NEMA from other agencies use of the plane. The additional costs to maintain and operate the airplane not covered in the per mile charge are as follows: Preventative Maintenance \$20,000, Maintenance Admin \$20,000, other maintenance not covered \$12,000, Test Flight time \$1,500, Hanger/utilities \$18,000, Pilot Travel \$5,000, Engine Reserve \$5,200 and Contingency Funds \$5,000 for unanticipated expenses.

As revenue from the use of the plane start to accrue, Aeronautics will IBT to NEMA (estimated to be \$204,500.00 per year) as an offset to the general fund expenditures.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| POSITION TITLE | NUMBER OF POSITIONS | | 2014-15 | 2015-16 |
|---------------------------|---------------------|-------|---------------------|---------------------|
| | 14-15 | 15-16 | EXPENDITURES | EXPENDITURES |
| Benefits..... | | | | |
| Operating..... | | | \$286,200.00 | \$286,200.00 |
| Travel..... | | | \$5,000.00 | \$5,000.00 |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | <u>\$291,200.00</u> | <u>\$291,200.00</u> |

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

2014

LB⁽¹⁾ 1016

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Aeronautics

Prepared by: ⁽³⁾ Andre B Aman

Date Prepared: ⁽⁴⁾ 1/29/14

Phone: ⁽⁵⁾ 402-471-2371

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2014-15</u> | | <u>FY 2015-16</u> | |
|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | | | | |
| CASH FUNDS | <u>-\$43,673</u> | <u>\$239,700</u> | <u>\$259,700</u> | <u>\$604,700</u> |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Explanation of Estimate:

“FY 2014-15 EXPENDITURES” above includes \$283,373 in Aeronautics’ FY 13-14 budget for avionics upgrades to the King Air B200 formally owned by the UNL Foundation which expenditure will not take place. (This money was to come from the sale of the Cheyenne.) Also included is \$20,000 in salaries for work done pursuant to the contract between NEMA and Aeronautics required by LB1016, \$5,000 in travel expenses for C90GTx training and maintenance, \$10,200 in pilot time spent flying the C90GTx, and \$204,500 in hourly/per mile charges for use of the C90GTx paid to NEMA.

“FY 2014-15 REVENUE” above includes \$20,000 from NEMA for work done under the contract between Aeronautics and NEMA, \$5,000 in travel expenses reimbursed by NEMA, \$10,200 in pilot time from entities using the C90GTx, and \$204,500 in hourly/per mile charges billed to agencies for use of the C90 GTX.

“FY 2015-16 EXPENDITURES” above includes \$20,000 in salaries for work done pursuant to the contract between NEMA and Aeronautics required by LB1016, \$5,000 in travel expenses for C90GTx training and maintenance, \$20,000 in preventive maintenance work done on the C90GTx and reimbursed to NEMA from proceeds from the sale of the Cheyenne, \$10,200 in pilot time spent flying the C90GTx, and \$204,500 in hourly/per mile charges for use of the C90GTx paid to NEMA.

“FY 2015-16 REVENUE” above includes \$365,000 in proceeds from the sale of the Cheyenne to be used for preventive maintenance on the C90GTx as per LB1016. Also included is \$20,000 from NEMA for work done under the contract between Aeronautics and NEMA, \$5,000 in travel expenses reimbursed by NEMA, \$10,200 in pilot time from entities using the C90GTx, \$204,500 in hourly/per mile charges billed to entities for use of the C90GTx.

ASSUMPTIONS:

The new aircraft is a King Air C90GTx as proposed in the study commissioned by the Executive Board of the Legislative Council.

The purchase will be funded with General Fund dollars. Current purchase price is approximately \$3,850,000. This will be a deficit appropriation in the current fiscal year (FY13-14).

The sale of the Piper Cheyenne will occur after the C90GTx is purchased. The sale is anticipated to net approximately \$365,000.

NEMA has the statutory responsibility, and the expense, of operating, maintaining, and hangaring the C90GTx.

The C90GTx will be hangared at the Lincoln Airport when suitably sized hangar space becomes available. Should space not be available at the time of purchase, the C90GTx can be accommodated elsewhere in the interim. Millard, Omaha Eppley, and Seward are interim options. Hangar costs will be directly billed to and paid by NEMA and will not go through Aeronautics’ budget.

NEMA will contract with the Department of Aeronautics to operate the aircraft and oversee maintenance on the C90GTx.

- **Maintenance costs:** These will be directly billed to and paid by NEMA and will not go through Aeronautics' budget. Aeronautics will bill NEMA for the time Aeronautics spends in overseeing the maintenance of the aircraft, test flights, scheduling, etc. We estimate this cost at \$20,000 per year. As preventive maintenance expenses occur, Aeronautics will transfer money from the sale of the Cheyenne to NEMA to cover those expenses until all the proceeds from the sale of the Cheyenne have been spent. A marketplace analysis just completed by Holstein Aviation indicates that the average time on market for turboprops (the Cheyenne) is 552 days. Therefore, the proceeds from the sale of the Cheyenne are anticipated being available sometime in FY15-16. We estimate \$20,000 spent on preventive maintenance in FY15-16 with these costs offset by Cheyenne sale proceeds.
- **Operating costs:** There will be approximately \$5,000 per year in travel costs related to mandatory training in, and maintenance of, the C90GTx. Aeronautics will bill the using entities for the use of the C90GTx and the pilots. Aeronautics will retain the pilot charges and remit the hourly fee for use of the C90GTx to NEMA. All operating costs will be paid by NEMA. We estimate operating costs to be \$204,500 in FY14-15 and \$204,500 in FY 15-16. This is based upon 150 hours of flight time per year. We estimate revenue from the use of the C90GTx to be \$204,500.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2014-15</u> | <u>2015-16</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>14-15</u> | <u>15-16</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefits..... | | | | |
| Operating..... | | | | |
| Travel..... | | | | |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | | |