

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		(See below)		(See below)
CASH RESERVE FUND		(16,000,000)		(28,000,000)
TIB FUND	16,000,000	16,000,000	28,000,000	28,000,000
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>16,000,000</b>	<b>0</b>	<b>28,000,000</b>	<b>0</b>

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

LB 960 is the Transportation Innovation Act, which creates three new programs funded by transfers from the Cash Reserve Fund and state motor fuel taxes, and also gives the Department of Roads the authority to solicit and execute design-build contracts and construction manager-general contractor contracts.

The three new programs are as follows and are funded by transfers of up to \$150 million from the Cash Reserve Fund to the Transportation Infrastructure Bank Fund between July 1, 2016 and June 30, 2023, as well as a pledge of up to \$150 million of state motor fuel taxes collected during the same time period. Note that the bill **does not** generate additional motor fuel tax revenue by increasing taxes, but simply pledges motor fuel taxes already planned to be collected during these years.

- **Accelerated State Highway Capital Improvement Program** – The purpose of this program is to accelerate capital improvement projects. Eligible projects will be chosen by the department and include the expressway system, federally designated high priority corridors, and needs-driven capacity improvements. This program terminates on June 30, 2033. No specific dollar amount is earmarked for this program.
- **County Bridge Match Program** – The purpose of this program is to promote innovative solutions and provide additional funding to accelerate the repair and replacement of county bridges. The program will be designed and administered by the department. Details of the program are to be published by October 1, 2016. This program terminates on June 30, 2019. No specific dollar amount is earmarked for this program.
- **Economic Opportunity Program** – The purpose of this program is to finance transportation improvements to attract and support new businesses and business expansions. The program will be developed and administered by the Department of Roads in consultation with the Department of Economic Development. Details of the program are to be published by January 1, 2017. This program terminates on June 30, 2033. No specific dollar amount is earmarked for this program.

The authority for the department to solicit and execute design-build contracts and construction manager-general contractor contracts is estimated by the department to save 2-4 years on project delivery time on large or complex projects. The department’s fiscal note does not indicate which specific projects these alternative contracting methods will be used on, or estimate the dollar impact on project costs or inflationary savings.

The fiscal impact of LB 960 in each fiscal year will be determined by the scheduling of projects for the three new programs, which will in turn determine the timing of transfers from the Cash Reserve Fund. The department’s fiscal note indicates that \$16 million will be transferred in FY16-17, and \$28 million will be transferred in FY17-18. No information is currently available from the department on the allocation of these transfers between the Accelerated State Highway Capital Improvement Program, the County Bridge Match Program, and the Economic Opportunity Program.

The fiscal impact beyond FY17-18, until the termination dates listed in the bill, may include additional transfers totaling \$106 million from the Cash Reserve Fund, plus the \$150 million of pledged motor fuel tax revenue.

Under current law the interest earned on the invested Cash Reserve Fund balance is deposited into the General Fund. There will be a General Fund revenue loss, however, an amount cannot be determined as it will depend not only on the size of transfers, but also the timing of transfers and future investment returns to the fund. The Transportation Infrastructure Bank Fund will receive this investment income per the provisions of LB960.

<a href="#">ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</a>		
LB: 960	AM:	AGENCY/POLT. SUB: Nebraska Department of Roads
REVIEWED BY: Lee Will	DATE: 2/4/2016	PHONE: 471-4175
COMMENTS: The Department of Roads' estimate of fiscal impact appears to be reasonable given the assumptions used.		

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

2016

LB<sup>(1)</sup> 960 - Revised

FISCAL NOTE

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

Nebraska Department of Roads

Prepared by: <sup>(3)</sup> Becky Fleming

Date Prepared: <sup>(4)</sup> 1/27/16

Phone: <sup>(5)</sup> (402) 479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	\$16 million	\$16 million <sup>(a)</sup>	\$28 million	\$28 million <sup>(a)</sup>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$16 million</u>	<u>\$16 million<sup>(a)</sup></u>	<u>\$28 million</u>	<u>\$28 million<sup>(a)</sup></u>

Explanation of Estimate:

**LB 960** is the Transportation Innovation Act, which will have two key components: a Transportation Infrastructure Bank Fund and provision for Alternative Contracting Methods.

The bill creates the Transportation Infrastructure Bank Fund which would be funded by transfers from the Cash Reserve Fund<sup>(a)</sup> up to \$150 million and an additional \$150 million pledged of state motor fuel tax revenue by the Department of Roads for the period July 1, 2016 through June 30, 2023. This act terminates on June 30, 2033 with the balance of funds remaining to be transferred to the Roads Operations Cash Fund.

This fund can be used for three purposes:

1. **Accelerated State Highway Capital Improvement Program** is to accelerate capital improvement projects including construction of the expressway system and federally designated high priority corridors and needs-driven capacity improvements across the state. This will be assisted by the Alternative Contracting Methods established under the second part of the bill:
  - a) **Design-Build (DB)** where designers and contractors interact on constructability solutions and design improvements under an overall contract with a specified delivery date. The DB contractor will manage final design and construction concurrently capturing design and construction innovation, building quality projects, and saving an estimated 2-4 years on project delivery time on large or complex projects.
  - b) **Provide Construction Manager/General Contractor (CM/GC)** where a construction manager is hired at the beginning of the project. During design, the construction manager provides valuable time and cost-saving input to the Department of Roads. Such input can cover scheduling, pricing, phasing and constructability of the project. The final design and contractor selection stage can involve a negotiated "guaranteed maximum price". CM/GC process can reduce the overall risk of the project, optimize schedule and could result in a more cost-effective project.
2. **The County Bridge Match Program** is to promote innovative solutions and provide additional funding to accelerate the repair and replacement of deficient bridges on the county road system. (This program terminates on June 30, 2019)

3. **The Economic Opportunity Program** is to finance transportation improvements to attract and support new businesses and business expansions by connecting such businesses to multimodal transportation network.

**Fiscal Impact:** provide for a transfer up to \$150 million Cash Reserve Funds between July 1, 2016 and June 30, 2023 for transportation purposes. The fiscal impact would be determined by the delivery of projects as this need is certified to the budget administrator to transfer the funds required.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....			\$16 million	\$28 million
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$16 million</b>	<b>\$28 million</b>