

Revised to reflect adoption of AM2418.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2016-17 | | FY 2017-18 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | (See below) | | (See below) |
| CASH RESERVE FUND | | (50,000,000) | | |
| ROADS OPER CASH FUND | | (8,500,000) | | (14,800,000) |
| TRANS INFR BANK FUND | 18,500,000 | 58,500,000 | 27,800,000 | 14,800,000 |
| TOTAL FUNDS | 18,500,000 | 0 | 27,800,000 | 0 |

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

LB 960, as amended, adopts the Transportation Innovation Act. Under the act three programs are created to accomplish the following:

- **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 of Roads and include the expressway system, federally designated high priority corridors, and needs-driven capacity improvements. This program terminates on June 30, 2033.
- **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. This program terminates on June 30, 2023. No more than \$40 million may be spent on 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. This program terminates on June 30, 2033. No more than \$20 million may be spent on this program.

These three new programs will be funded by:

- 1) A \$50 million transfer from the Cash Reserve Fund to the newly created Transportation Infrastructure Bank Fund in July 2016.
- 2) The additional fuel tax revenue received by the Department of Roads from the passage of LB 610 (2015) for the time period of July 2016 to June 2033. This would be accomplished by the periodic transfer of this revenue from the Roads Operations Cash Fund, where the fuel tax revenue will be deposited, to the Transportation Infrastructure Bank Fund. The additional LB 610 revenue is estimated to equal more than \$400 million from July 2016 through June 2033. Once this fuel tax revenue is deposited into the Transportation Infrastructure Bank Fund it can only be used for the three programs outlined in the act

Between the Cash Reserve Fund transfer and the additional fuel tax revenue more than \$450 million will be deposited into the Transportation Infrastructure Bank Fund between July 2016 and June 2033. The expenditure impact 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 expenditures from the Transportation Infrastructure Bank Fund. For purposes of this fiscal note expenditures are estimated to be \$18,500,000 in FY2016-17 and \$27,800,000 in FY2017-18.

LB 960 also gives the Department of Roads the authority to solicit and execute design-build contracts and construction manager-general contractor contracts. The use of these alternative contracting methods 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.

Under current law the interest earned on the invested Cash Reserve Fund (CRF) balance is deposited into the General Fund. Reducing the CRF invested balance by \$50 million in FY2016-17 will reduce General Fund revenue dependent on future investment returns. The gain in investment income for the Transportation Infrastructure Bank Fund from the \$50 million transfer will vary based on the speed with which the \$50 million is spent on projects.

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

2016

LB⁽¹⁾ 960 AM 2418

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Roads

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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 | <u>\$18.5 million</u> | <u>\$58.5 million</u> | <u>\$27.8 million</u> | <u>\$14.8 million</u> |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u>\$18.5 million</u> | <u>\$58.5 million</u> | <u>\$27.8 million</u> | <u>\$14.8 million</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 a \$50 million transfer from the Cash Reserve Fund and the additional fuel tax revenue generated each fiscal year by Legislative Bill 610, One hundred Fourth Legislature, First Session, 2015 for the period July 1, 2016 through June 30, 2033. This act terminates on June 30, 2033 with the balance of unobligated funds remaining to be transferred to the Cash Reserve 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. No more than forty million dollars shall be expended for this program and it terminates on June 30, 2023.

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. No more than twenty million dollars shall be expended for this program.

Fiscal Impact:

| | | |
|-----------------------|--------------------|---------------------|
| Revenue | <u>FY17</u> | <u>FY18</u> |
| Cash Reserve Transfer | \$50.0 million | -0- |
| Fuel Tax Revenue | <u>8.5 million</u> | <u>14.8 million</u> |
| Total | \$58.5 million | \$14.8 million |

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2016-17 EXPENDITURES</u> | <u>2017-18 EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>16-17</u> | <u>17-18</u> | | |
| Benefits..... | | | | |
| Operating..... | | | | |
| Travel..... | | | | |
| Capital outlay..... | | | <u>\$18.5 million</u> | <u>\$27.8 million</u> |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | <u>\$18.5 million</u> | <u>\$27.8 million</u> |