

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised based on amendments adopted.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	100,000	100,000	4,000,000	4,000,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	100,000	100,000	4,000,000	4,000,000

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

As amended, LB 334 would revise various sections of law relating to the Department of Economic Development. The revisions contained in LB 334 include:

Enterprise Zone rules and regulations – LB 334 would make rules and regulations for the Enterprise Zone program optional rather than mandatory. It is estimated that there would be no fiscal impact to the Department of Economic Development as a result of this revision.

Repeal the Angel Investment Tax Credit Act – LB 334 would provide that tax credits approved under the Angel Investment Tax Credit Act would terminate after calendar year 2019 rather than calendar year 2022. Tax credit allocations under the act are capped at \$4,000,000 per year, except that in 2019, tax credits would be capped at \$3,900,000. Because tax credits under the act would be awarded through calendar year 2019, the credits would be claimed in FY19-20. As a result, revenue savings from the elimination of the tax credit program would not begin until FY2020-21.

The Department of Revenue states that it would incur one-time costs in FY19-20 to remove the tax credits from various income tax forms. The costs would be in the form of charges paid to the OCIO to reprogram forms, and are estimated by to total approximately \$100,000 General Funds. The reduction of the 2019 Angel Investment Tax Credit Act cap to \$3,900,000 would result in a General Fund revenue offset to the increased expenditures.

Reallocation of General Funds previously dedicated to the Angel Investment Tax Credit Act – LB 334 states in legislative intent that the \$4,000,000 saved due to the elimination of the Angel Investment Tax Credit Act and the one-time 2019 costs to the Department of Revenue would be reallocated into an appropriation to the Business Innovation Act. A General Fund appropriation of \$4,000,000 to the Department of Economic Development would be carried out in FY20-21. A portion of the funding would be allocated to operating costs, with the remainder earmarked as state aid. There is no basis to disagree with the agency estimate of \$3,800,000 in state aid payments and \$200,000 in operating expenses. The agency estimate for operating costs does not include funding for additional staff.

Revision of Business Innovation Act legislative review – LB 334 would remove the termination date for the Business Innovation Act and replace it with a requirement that beginning in 2020, and every even-numbered year thereafter, the Department of Economic Development would assess and evaluate the economic impact of programs funded under the Business Innovation Act. The agency would be allowed to contract with a nonprofit entity to carry out the economic impact assessment. It is estimated that costs for this purpose would come from the funds allocated for operating expenses, as shown above.

LB 334 would also provide that beginning with the FY21-23 biennial budget review process, the Appropriations Committee shall conduct a biennial analysis of the financial status and impact of the Business Innovation Act. It is currently established under law that the Business Innovation Act would terminate on December 31, 2021. The termination date of the act was once previously extended from 2016 to 2021. Assuming that the program could be terminated on the date currently established in law, a General Fund savings would not occur in the FY21-23 biennium.

Planning and development regions – As amended, LB 334 would establish a statutory procedure for a county to leave a Nebraska planning and development region in which it is located and enter an adjacent planning and development region. In order to carry out such a change, affected planning and development regions would enter into written agreements to resolve outstanding financial or legal obligations. The Department of Economic Development would be required to review the agreements and would be allowed to provide recommendations to the districts.

It is estimated that the Department of Economic Development use existing staffing resources to review agreements and develop recommendations. Any impact to county governments would depend upon the financial obligations that would need to be resolved prior to undertaking a revision in development region memberships.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 334	AM: 801	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Lee Will	DATE: 4/10/2019	PHONE: (402) 471-4175	
COMMENTS: Concur with the Department of Economic Development's assessment of fiscal impact.			

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2019

LB⁽¹⁾ 334 AM801

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Economic Development

Prepared by: ⁽³⁾ Dave Rippe Date Prepared: ⁽⁴⁾ 1/24/2019 Phone: ⁽⁵⁾ 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$4,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$4,000,000	

Explanation of Estimate:

LB334, as amended by AM801, sunsets applications to the Angel Investment Tax Credit (AITC) on December 31, 2019, proposes that the \$4 million in General Funds currently appropriated to provide refundable tax credits under the AITC be appropriated to the Business Innovation Act (BIA), and repeals the sunset of the BIA on December 1, 2021. The bill, as amended, also requires the Department of Economic Development to evaluate the economic impact of programs under the BIA and publish the results in even-numbered years beginning in 2020, and that the Appropriations Committee of the Legislature conduct a biennial analysis of the financial status and impact of the programs funded under the BIA. The bill substitutes permissive language for mandatory language regarding the promulgation of rules and regulations for Development Districts and Enterprise Zones, and eliminates obsolete language in the Enterprise Zone Act. Finally, as amended, the bill also removes the requirement that tax incentive performance audits be conducted on the AITC program.

Since the AITC program provides a refundable income tax credit, applications filed to receive AITC tax credits will be processed in 2019 up to the December 31, 2019 sunset date or until the \$4 million in AITC tax credits have been exhausted. AM801 reduces the AITC credits awarded in 2019 to \$3.9 million, with the other \$100,000 transferred to the Department of Revenue to cover one-time programming costs. Those tax credits will be used in the FY2019-20 tax filings largely between January and April of 2020. LB334, as drafted, provides intent language for moving the \$4 million in General Funds from the AITC to the BIA act beginning in FY2020-21.

Section 81-12,163.01 provides for up to 5% of the funds transferred to the BIA be used for administration. This will require an adjustment to the budget between state aid and operations. There will be no change in PSL due to the bill; however, the bill requires completion of a study every other year, which is estimated to cost \$25,000 to \$30,000, and the BIA program will use additional funds for consulting to assist in identifying potential start-up projects. AM801 specifies that DED contract with an organization or entity to perform the studies, following state agency procurement requirements.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2019-20 EXPENDITURES	2020-21 EXPENDITURES
	19-20	20-21		
				\$0
Benefits.....				
Operating (Reports and consulting).....				180,000
Travel.....				20,000
Capital outlay.....				
Aid.....				3,800,000
Capital improvements.....				
TOTAL.....				\$4,000,000