

Amendments adopted on General File

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$2,000,000		\$0	
CASH FUNDS	\$16,683,315		\$33,366,633	
FEDERAL FUNDS	\$28,406,725		\$56,813,457	
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$47,090,040</b>		<b>\$90,180,090</b>	

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

LB 1024 as amended adopts the Economic Recovery Act.

Section 4 provides direction as to the duties of the Economic Recovery Division of the Department of Economic Development created in Section 8. The main duty of the division is to administer grants. By August 1, 2022 the division is to develop a preliminary coordinated plan and grant application and scoring process. A final copy of the plan is to be completed by December 1, 2022.

Section 5 creates the Economic Recovery Special Committee of the Legislature. The committee is to receive the preliminary and final reports prepared by the Economic Recovery Division. Also by June 30, 2022 the committee is to solicit RFP's to conduct studies on the uses of ARPA and state funds. Section 5 also includes intent to appropriate \$2 million to carry out the studies. No fund source is specified.

Section 6 creates the Economic Recovery Fund to pay for administrative costs as well as grants for projects in qualified census tracts located within the boundaries of a city of the metropolitan class including:

- (a) \$60 million for development of a business park.
- (b) \$30 million to one or more innovation hubs
- (c) \$10 million for film production,
- (d) \$40 million for affordable housing
- (e) 80% of United States Economic Development Administration's American Rescue Plan Travel, Tourism and Outdoor Recreation program ( $\$3,074,000 \times 80\% = \$2,459,200$ ) for tourism projects.

Section 7 includes intent to appropriate \$250 million of ARPA-Coronavirus State Fiscal Recovery Funds (ARPA-CSFPF) for purposes of the Economic Recovery Act. The section also includes intent to appropriate \$3,074,000 of United States Economic Development Administration's American Rescue Plan Travel, Tourism and Outdoor Recreation program funds (ARPA-EDA).

Section 12 provides that the Department of Economic Development shall use at least fifty percent of any funds received from the federal Coronavirus Capital Projects Fund under the federal American Rescue Plan Act of 2021 for eligible projects located in qualified census tracts. The section further earmarks \$20 million for one or more innovation hubs and \$7.5 million eligible projects located in a city of the first class located in a metropolitan statistical area containing a city of the primary class. The initial grant application period under this section is between July 1 and July 15 of 2022.

Section 13 includes intent to appropriate \$128,740,178 of the ARPA-Coronavirus Capital Projects Fund monies.

Section 14 transfers \$225 million from the Cash Reserve Fund to the Economic Recovery Fund on or before June 30, 2022.

No basis to disagree with the DED estimates of administrative costs and timing of grants. The administrative costs appear high but there are substantial costs with the creation of a new division and the duties and responsibilities required by the bill. Overall the administrative costs would be approximately 4.5% of funds being administered.

Also concur with the agency technical note that ARPA federal funds should not be mingled in a cash fund with other sources (ie... Cash Reserve Fund).

Summary on following page:

Funding	FY2022-23	Section
ARPA - CSFPF	250,000,000	Sec 7
ARPA - EDA	3,074,000	Sec 7
Cash Reserve Fund	225,000,000	Sec 14
ARPA - Capital Projects	128,740,178	Sec 13
<b>Total Funds</b>	<b>606,814,178</b>	

Cash Flow	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	5 yr total	% of total
Agency Costs	4,446,030	5,643,360	5,784,444	5,929,055	6,077,281	27,880,171	4.6%
Grants and Aid	40,644,010	84,536,730	207,015,516	207,290,855	39,432,719	578,919,829	95.4%
Subtotal - DED	45,090,040	90,180,090	212,799,960	213,219,910	45,510,000	606,800,000	100.0%
Special Committee	2,000,000	0	0	0	0	2,000,000	
<b>Total</b>	<b>47,090,040</b>	<b>90,180,090</b>	<b>212,799,960</b>	<b>213,219,910</b>	<b>45,510,000</b>	<b>608,800,000</b>	
General Fund	2,000,000	0	0	0	0	2,000,000	
Cash Fund	16,683,315	33,366,633	78,735,985	78,891,367	16,838,700	224,516,000	
Federal Fund	28,406,725	56,813,457	134,063,975	134,328,543	28,671,300	382,284,000	
<b>Total</b>	<b>47,090,040</b>	<b>90,180,090</b>	<b>212,799,960</b>	<b>213,219,910</b>	<b>45,510,000</b>	<b>608,800,000</b>	

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1024	AM: 1920, 2341, 2471	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Patrick Redmond	DATE: 3/29/2022	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Department of Economic Development assessment of no fiscal impact from LB 1024 as amended by AM1920, AM2341, AM2471. The maximum funding available under the federal Coronavirus State Fiscal Recovery Fund is \$1.04 billion, of which only \$520 million is currently available. Appropriation of these funds must be balanced in aggregate in order to avoid over obligation.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1024 Council	AM: 2341	AGENCY/POLT. SUB: Legislative
REVIEWED BY: Patrick Redmond	DATE: 3/24/2022	PHONE: (402) 471-4181
COMMENTS: No basis to disagree with the Legislative Council assessment of fiscal impact from LB 1024 as amended by AM 2341.		

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

2022

LB<sup>(1)</sup> 1024 AM1920, AM2341, AM2471

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Department of Economic Development

Prepared by: <sup>(3)</sup> Dave Dearmont Date Prepared: <sup>(4)</sup> 3/24/2022 Phone: <sup>(5)</sup> 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB1024, as amended by AM1920, AM2341, and AM2471 would create the Economic Recovery Act, the Economic Recovery Special Committee of the Legislature, a new division within DED called the Economic Recovery Division of DED (DED-ER). As amended by AM2341, the bill would also create the Economic Recovery Fund cash fund in DED to be used to provide grants to non-profit organizations for several purposes and to defray any administrative costs incurred by DED-ER division. In addition, the bill makes changes to Sections 81-1238 and 81-1239, which deal with housing programs.

The Economic Recovery Act would require the special Legislative committee to issue an RFP to commission a study of potential eligible uses of federal ARPA funds or state funds within, or adjacent to, qualified census tracts located within the boundaries of a city of the metropolitan class. The study would include potential eligible uses of ARPA funds in the areas of entrepreneurship, housing, employment, job creation, and small business assistance. Copies of these studies will be made available to DED-ER. The bill, as amended, contains intent language to appropriate \$2 million for FY2022-23 to cover the costs of the study. DED would then develop a coordinated plan to direct and prioritize the use of grants toward the economic recovery of those communities and neighborhoods. The plan would emphasize housing needs, job training and business development. By 8/1/2022, DED-ER would submit an initial copy of the coordinated plan to the Legislative committee for review, and submit a final copy, no later than 12/1/2022. The coordinated plan may rely on the results of the studies commissioned by the Legislative committee. All grants made by DED-ER using ARPA funds shall be eligible uses for these funds.

LB1024, as amended, contains intent language to appropriate \$250 million from federal ARPA funds and \$3.074 million in federal funds from the US Department of Commerce, Economic Development Administration (EDA) to DED for FY2022-23. These funds are to be used by DED-ER to defray administrative costs incurred by the department and to provide grants under the Economic Recovery Act. These grants would include ARPA funds not to exceed the following amounts:

- \$60 million to a non-profit economic development organization for a business park
- \$30 million to one or more Innovation Hubs
- \$10 million to a non-profit film industry organization
- \$40 million to non-profit organizations for affordable housing
- \$108,614,800 for grant programs developed under the coordinated plan and administration
- \$2,459,200 to non-profits or small businesses to support tourism-related projects or activities from the \$3,074,000 EDA Travel, Tourism, and Outdoor recreation grant.

LB1024 as amended by AM2141 and AM2471 contains intent language to appropriate \$128,740,128 in federal Coronavirus Capital Projects Funds to DED. At least 50% of these funds would be used to provide grants for eligible projects located in qualified census tracts. AM2471 strikes a provision in AM2141 that would have

prohibited DED from providing grant funds for broadband infrastructure projects. In addition, federal Coronavirus Capital Projects funds would be used to provide grants not to exceed \$20 million to one or more Innovation Hubs for eligible projects that provide services and resources to small businesses within qualified census tracts in cities of the metropolitan class, and grants not to exceed \$7.5 million for eligible projects within a city of the primary class. This portion of the bill, as amended, would require DED to allow qualified non-profit organizations or political subdivisions to apply for grant funding between 7/1/2022 through 7/15/2022. DED would also be allowed to open additional grant cycles as needed, until all funds are allocated.

The bill contains language to transfer Economic Recovery Fund cash fund in DED. The bill contains transfers of \$250 million of ARPA funds, \$3.074 million in EDA funds—which are paid to states on a reimbursement basis—and \$225 million in Cash Reserve funds to the Economic Recovery Fund cash fund in DED. The bill also contains the emergency clause.

LB1024, as amended, would result in numerous additional responsibilities for DED. The department would need to create and staff the new Economic Recovery Division, which would be based in Omaha, under the Economic Recovery Act. In addition, grants from the 50% of Capital Projects funds to all qualified census tracts appropriated to DED would create the need for additional staffing outside the new division. DED would need to develop applications and programs, develop and implement rules, and provide for the required monitoring and reporting needed to comply with federal statutes and regulations related to the provision of grants to an unspecified group and undeterminable number of both beneficiaries and subrecipients. This would require adequate staffing and infrastructure to support the program throughout the grant program's lifecycle. The grant programs developed under LB1024 would require appropriate staffing and infrastructure to support the grant programs through at least 12/31/27, and potentially record retention support through 12/31/31. The bill contains the emergency clause and takes effect when passed and approved according to law.

For purposes of estimating administrative costs, DED assumes that the \$225 million from the Cash Reserve is appropriated to DED-ER for purposes of the Economic Recovery Act. Based on the staffing levels of current housing and business development programs adjusted for the total size of the grants, it is estimated that the department will require approximately 43 FTE to administer the provisions of LB1224, as amended, through the life of the ARPA program. DED assumes that the new Economic Recovery division in DED will be housed primarily in Omaha. Staffing includes an Economic Development Division Administrator; an Attorney III and three Attorney II's, to produce grant contracts and review grants applications for ARPA qualification; seven Economic Development Business Consultant III's, and 19 Economic Development Business Consultant I's, to manage grants; three Internal Auditors to monitor the sub-recipients among the grantees; and three Federal Aid Administrator III's and three IT Business Systems Analysts to assist grantees with the grant management system, record keeping, and making payments to grantees.

The department anticipates that \$601.2 million in grants will be distributed on a cost reimbursement basis, and will be distributed roughly 7.5%, 15%, 35%, 35%, and 7.5% in FY2022-23 through FY2026-27, respectively. The operating costs will include annual payments for software licensing for the grant management software of \$689,730, and additional rent of \$114,240, beginning in FY2022-23. Operating costs in FY2022-23 include the cost of a vehicle.

**Technical Note:**

It appears that the bill appropriates federal ARPA funds to a cash fund. State guidelines require federal funds to be tracked separately from state funds. In addition, the Economic Recovery cash fund appears to appropriate funds from two separate federal sources, which will also need to be tracked separately.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ Dev Division Administrator	1.00	1.00	\$82,250	\$84,310
G31113 Attorney III	1.00	1.00	85,840	87,990
G31112 Attorney II	1.50	3.00	104,110	213,420
A49011 Econ Dev Bus. Consultant I	14.00	19.00	812,840	1,130,710
G21200 Internal Auditor	1.50	3.00	106,770	218,870
A19613 Federal Aid Administrator III	2.25	3.00	143,460	169,070
A07081 IT Business Systems Analyst	2.25	3.00	139,530	190,680
A49013 Econ Dev Bus. Consultant III	7.00	10.00	469,670	687,740
<b>Total</b>	<b>30.50</b>	<b>43.00</b>	<b>\$1,944,470</b>	<b>\$2,782,790</b>
<b>Benefits</b> .....			<b>\$777,790</b>	<b>\$1,123,920</b>
<b>Operating</b> .....			<b>1,195,520</b>	<b>1,369,670</b>
<b>Travel</b> ...(Includes a vehicle).....			<b>244,450</b>	<b>280,980</b>
<b>Capital outlay</b> .....			<b>283,800</b>	<b>86,000</b>
<b>Aid</b> .....			<b>40,644,010</b>	<b>84,536,730</b>
<b>Capital improvements</b> .....				
<b>TOTAL</b> .....			<b>\$45,090,040</b>	<b>\$90,180,090</b>

