PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza April 27, 2021 (402)471-0050

LB 39

Revised to include AM 582

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	21-22	FY 2022-23					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS				(\$1,000,000)				
CASH FUNDS			\$300,000	\$300,000				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS			\$300,000	(\$700,000)				

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

LB 39 changes various provisions of the Sports Arena Facility Financing Assistance Act. Most notably, LB 39 introduces the classification of sports complexes into the Act. LB 39 redefines "new revenue" for eligible sports arena facilities that are not complexes, and introduces a new revenue definition for facilities that are sports complexes. Furthermore, LB 39 redefines project completion date, differentiating between projects involving the acquisition or construction of an eligible facility and all other projects.

As amended by AM 582, the 30% of the turnback tax collected on projects for sports complexes will be remitted to the Support the Arts Cash Fund to be administered by the Nebraska Arts Council.

LB 39 carries the emergency clause, and as such would go into effect immediately upon passing.

Revenue

The Department of Revenue estimates the fiscal impact on the General Fund and Cash Funds is unknown and contingent on the number of future qualifying sports complex facility projects, but depending on the location and nearby businesses, the reduction in state sales tax revenue could be significant. We agree that the fiscal impact of LB 39 will be dependent upon the location of each facility, surrounding businesses' sales tax collections, and the total number of facilities that qualify for incentives under the bill.

The department notes that, for comparison purposes, pursuant to the Sports Arena Facility Financing Assistance Act and Convention Center Facility Financing Assistance Act, for three current projects, a total of \$14.017 million was transferred in FY19-20. For example, the Ralston Arena, the smallest of the three and an approved facility under the Sports Arena Facility Financing Assistance Act, generated \$4.41 million in sales tax pursuant to the act in FY19-20, of which \$3.08 million was state assistance and \$1.32 million was deposited in the Civic and Community Center Financing Fund.

We estimate that, for each new sports complex under LB 39, the amount transferred is likely to be less than for each of the currently-approved facilities, as each project will likely be of a smaller scale. It is not expected that any turnback tax will be collected from new projects for FY21-22. It is assumed that each new project will create a reduction in General Fund revenue equal to a quarter of the Ralston Arena, and that each year will provide one additional project of similar size. This assumption allows us to roughly estimate the following reduction in General Fund revenue due to LB 39:

- FY21-22: \$0
- FY22-23: (\$1,000,000)
- FY23-24: (\$2,000,000)
- FY24-25: (\$3,000,000)

Expenditures:

The Department of Revenue estimates minimal costs to implement LB 39. There is no basis to disagree with this estimate.

The Nebraska Arts Council will receive 30% of the turnback tax collected as a result of LB 39 for credit to the Support the Arts Cash Fund. The Nebraska Arts Council must use these funds to administer grants to qualifying cities for investment into the Arts. The Nebraska Arts Council expects minimal additional costs to implement the provisions of LB 39.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB: 39	AM: 582	AGENCY/POLT. SUB: Art	s Council				
REVIEWED I	BY: Neil Sullivan	DATE: 4/23/2021	PHONE: (402) 471-4179				
COMMENTS: No basis to disagree with the Arts Council assessment of indeterminate fiscal impact from LB 39 as amended by AM 582.							

LB 39 AM 582 Fiscal Note 2021

State Agency Estimate									
State Agency Name: Department of	Revenue			Date Due LFO:					
Approved by: Tony Fulton		Date Prepare	ed:]	Phone: 471-5896				
	FY 2021-2022		FY 2022	-2023	FY 2023-2024				
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue			
General Funds		See below		See below		See below			
Cash Funds	See below		See below		See below				
Federal Funds									
Other Funds									
Total Funds	See below	See below	See below	See below	See below	See below			

AM 582 retains all of the language in LB 39 except harmonizing the newly defined term "applicant" with the text of the various statutes. Applicant is defined as a "political subdivision or; a political subdivision and nonprofit organization that jointly submit an application under the act." It defines program area for any eligible sports arena facility that is a sports complex and changes the existing program area definition to mean eligible sports arena facility that is not a sports complex. It amends Neb. Rev. Stat. § 13-3105 to require the board to publish notice of the public hearing in the area where the political subdivision submitting the application is located instead of the location of the applicant. It amends § 13-3109 to allow a "political subdivision that applies for state assistance under the Sports Arena Facility Financing Assistance Act", instead of "the applicant", to issue bonds and refunding bonds relating to eligible sports arena facilities.

AM 582 amends Neb. Rev. Stat. § 13-3108(3) to provide that the 30% of state sales tax revenue remaining after appropriations from the Sports Arena Facility Support Fund in § 13-3108(3) will be appropriated by the Legislature and transferred as follows:

- If the revenue relates to an eligible sports arena facility that is a sports complex and is approved for state assistance pursuant to § 13-3106 on or after the effective date of this act, then the revenue is transferred to the Support the Arts Cash Fund.
- If the revenue relates to any other eligible sports arena facility, then the revenue is transferred to the Civic and Community Center Financing Fund.

Section 9 adds a new section requiring the Nebraska Arts Council to establish a competitive grant program to award grants to eligible cities of the first class. Grants awarded under this section must be at least equal to \$1,500,000. The grants are awarded from funds transferred to the Support the Arts Cash Fund (Arts Fund) pursuant to subdivision (9)(a) of Neb. Rev. Stat. § 13-3108. All money transferred to the Arts Fund must be used for the competitive grant program.

Major Objects of Expenditure									
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures		
Benefits									
Operating Costs									
Travel									
Capital Outlay									
Capital Improvement	Capital Improvements.								
Total									

Original LB 39 makes changes to the Sports Arena Facility Financing Assistance Act and is effective when passed and approved. It adds "multipurpose field", "sports complex", "sports venue" and "project completion date" to the definitions in § 13-3102. Project completion date means, "For projects involving the acquisition or construction of an eligible sports arena facility, the date of initial occupancy of the facility following the completion of such acquisition or construction; or for all other projects, the date of completion of the project for which state assistance is received." It also adds "any sports complex, including concession areas, parking facilities, and onsite administrative offices connected with operating the sports complex" to the definition of "eligible sports arena facility." "Increase in state sales tax revenue" is calculated using the fiscal year that ended immediately preceding the "project completion date" instead of the "date of occupancy."

The definition of "new state sales tax revenue" is split into two parts. For an eligible sports arena facility that is not a sports complex, the definition of "new state sales tax revenue" is retained except that LB 39 uses "project completion date" instead of the date of "occupancy" in the calculation. For an eligible sports arena that is a sports complex, "new state sales tax revenue" means "100% of the state sales tax revenue that is collected by a nearby retailer that commenced collecting state sales tax during the period of time beginning on the date that the project commenced and ending forty-eight months after the project completion date of the eligible sports arena facility" and is sourced under sections 77-2703.01 to 77-2703.04 to the program area. The remaining sections harmonize §§ 13-3103, 13-3104, 13-3105 and 13-3106.

As with the original bill, the revenue impact on the General Fund and Cash Funds are unknown and contingent upon future qualifying sports complex facility projects. Depending on the location of these projects and the nearby businesses, there is potential for a significant reduction in state sales tax revenue. For comparison purposes, \$14.017 million was transferred during fiscal year 2019-2020 under the terms of the Sports Arena Facility Financing Assistance Act and the Convention Center Facility Financing Assistance Act for three current projects.

It is estimated that there will be minimal costs to the Department to implement this bill.

This bill contains an emergency clause and becomes law upon enactment.

	39 A	M582						FISCAL NOTE
State Agency OR Political Subdivision Name: (2)				Arts	Council			
Prepared by: (3) Michael Markey			Da	Date Prepared: (4) 4/22/2021 Phor			(402) 595-2195	
1		ES	TIMATE PROV	IDED BY	STATE AGEN	CY OR POLITIC	CAL SUBDIVISIO	ON
<u>FY :</u> EXPENDITURES			<u>Y 2021-2</u> SS	<u>2</u> REVENUE	FXPFNI	<u>FY 2022</u> DITURES	-23 REVENUE	
GENE	RAL FUNI	•		<u> </u>	See below		<u> </u>	See below
CASH	FUNDS		See below			See	See below	
FEDE	RAL FUNI	os				_		
ОТНЕ	ER FUNDS							
TOTA	AL FUNDS		See below		See below	See	below	See below
Explai	nation of Es	stimate:						
sports	s complex	facility p	projects. There	will be a	future impact,	but we don't k	mplement this b	
Person	nal Services	: :	BREAKDO	OWN BY I	MAJOR OBJECT	TS OF EXPEND	<u>ITURE</u>	
		NUMBER <u>21-22</u>	OF POSITION 22-23	-	21-22 DITURES	2022-23 EXPENDITURES		
Benefi	ts							
Opera	ting							
Trave	1							
-	·							
Capita	ıl improven	nents						
TOTAL								