

Revised to include AM 582

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		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: Arts Council

REVIEWED 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.

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.

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2021

LB⁽¹⁾ 39 AM582

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Arts Council

Prepared by: ⁽³⁾ Michael Markey Date Prepared: ⁽⁴⁾ 4/22/2021 Phone: ⁽⁵⁾ (402) 595-2195

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	See below	_____	See below
CASH FUNDS	See below	_____	See below	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See below</u>	<u>See below</u>	<u>See below</u>	<u>See below</u>

Explanation of Estimate:

The revenue impact on the General Fund and Cash Funds are unknown and contingent upon future qualifying sports complex facility projects. There will be a future impact, but we don't know what that will be.

It is estimated, at this time, that there will be minimal costs to the agency to implement this bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____