

Revised to include amendments

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.

As amended by AM 1394, 83% of the 30% of the turnback tax will be remitted to the Support the Arts Cash Fund, and the remaining 17% of the 30% will be remitted to the Convention Center Support Fund, to be distributed to cities of the metropolitan class for applications for state assistance under the Convention Center Facility Financing Assistance Act. Further intent is given to have this portion be equally distributed to areas with high poverty.

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.

As amended by AM 1394, The Nebraska Arts Council will receive 83% of the 30% of the turnback tax collected as a result of approved sports complex projects, to be credited 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. There is no basis to disagree with this estimate.

DED estimates minimal costs to implement LB 39. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 39	AM: 1394 & 1420	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 5/18/2021	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Department of Revenue assessment of indeterminate fiscal impact from LB 39 as amended by AM 1394 and AM 1420.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 39	AM: 1394 & 1420	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 5/17/2021	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of indeterminate fiscal impact from LB 39 as amended by AM 1394 and AM 1420 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 39	AM: 1394 & 1420	AGENCY/POLT. SUB: Arts Council
REVIEWED BY: Neil Sullivan	DATE: 5/14/2021	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 1394 and AM 1420.		

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Tony Fulton

Date Prepared: 5/17/2021

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 1394 adds a new section to LB 39 to amend the Convention Center Facility Financing Assistance Act to state an intent of the legislature to transfer a portion of the turnback revenue under the Sports Arena Facility Financing Assistance Act to a city of the metropolitan class with areas of high poverty to showcase important historical aspects of the areas. Of the 30% that is not turned back to support the Sports Complex, 83% is to be transferred to the Support the Arts Cash Fund and 17% to the city of the metropolitan class as described above.

AM 1420 expands the locations where a sports complex may be located to include areas outside the corporate boundaries of a municipality, in an economic redevelopment area, or in an opportunity zone as provided in the Tax Cuts and Jobs Act of 2017. In addition, a single enclosed, temperature-controlled building can qualify as a sports complex if it contains more than one multipurpose field, court swimming pool, or other facility primarily used for competitive sports.

AM 1420 defines:

"Court" as a rectangular hard surfaced area primarily used for sports such as tennis or basketball;

"Date the project commenced" as the date when a project started as specified by a contract, resolution, or public announcement; and

"Economic redevelopment area" as an area where the unemployment rate is at least 150% of the average in the state and the poverty rate is 20% or more.

LB 39 makes changes to the Sports Arena Facility Financing Assistance Act. It adds "multipurpose field", "sports complex", "sports venue" and "project completion date" to the definitions in § 13-3102. 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

Major Objects of Expenditure

Class Code	Classification Title	21-22	22-23	23-24	21-22	22-23	23-24
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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 48 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 other sections of the Sports Arena Facility Financing Assistance Act and provisions governing the Arts Council. A grant program would be created for the revenue deposited in the Support the Arts Cash Fund.

The revenue impact on the General Fund and Cash Funds remains 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.

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

2021

LB⁽¹⁾ 39 AM1394 & AM 1420

FISCAL NOTE

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

Prepared by: ⁽³⁾ Anthony Goins Date Prepared: ⁽⁴⁾ 5/13/2021 Phone: ⁽⁵⁾ 402-471-3777

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	_____	_____	_____	_____
CASH FUNDS	_____	(See Below)	_____	(See Below)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	(See Below)	=====	(See Below)

Explanation of Estimate:

LB39 as amended by AM 582 would expand the definition of sports facility to include “any sports complex, including concession areas, parking facilities, and onsite administrative offices connected with operating the sports complex” for purposes of the Sports Arena Facility Financing Assistance Act. An approved sports facility is entitled to receive a turnback of 70% of the eligible state sales taxes. The remainder of the additional turnback due to the expanded definition of sports facility would be transferred to a new Support the Arts Cash Fund in the Nebraska Arts Council for a grant program. The bill as amended carries the emergency clause.

AM1394 makes two changes to the distribution of the turnback due to sports complexes. First, if the sports complex is in a city of the metropolitan class, the 30% distribution would be returned to that city of the metropolitan class. Second, in all other areas where a sport complex is approved, the 30% share of the turnback is split between the Support the Arts Cash Fund and the Civic and Community Center Financing Fund. The division of the turnback in these cases would be 83% of the 30%, or 24.9% of the additional turnback for the Support the Arts fund, and 17% of the 30%, or 5.1% of the additional turnback, for the Civic and Community Center Financing Fund.

AM1420 provides definitions of “Court,” “Date that the project commenced,” and “Economic redevelopment area.” The amendment also adds provisions for the number of venues required for a qualifying sports complex if the facility is located in an economic redevelopment area or in an opportunity zone. Finally, the amendment clarifies that the number of venues in a temperature-controlled building containing more than one multipurpose field, court, swimming pool, or other facility primarily used for competitive sports is counted as one venue per multipurpose field, court, or swimming pool, etc.

It is unknown how many additional sports complexes, or how much additional turnback tax will be generated that could increase funds transferred to the Civic and Community Center Financing Fund due to LB39 as amended by AM 1394 and 1420. However, it is unlikely to increase the number of grants that can be awarded under the Civic and Community Center Financing program. Therefore, DED can administer the program with current resources.

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.....				

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

2021

LB⁽¹⁾ 39 (revised for AM1394 & AM1420)

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Markey Date Prepared: ⁽⁴⁾ 5/13/2021 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 on general funds and cash funds, 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 EXPENDITURES</u>	<u>2022-23 EXPENDITURES</u>
	<u>21-22</u>	<u>22-23</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____