

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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB542 authorizes the issuance of up to \$400 million in bonds upon the recommendation of the Nebraska Department of Transportation (NDOT) to the State Highway Commission. Up to \$30 million in annual debt service is provided for in a period of up to 19 years. Any proceeds from the sale of the bonds is to be credited to the Highway Cash Fund. Any debt service payments are to be considered special obligations of the state payable from the State Highway Capital Improvement Fund (SHCIF). Bonding could begin on July 1, 2021 and last through June 30, 2027. All bonds must be repaid by June 30, 2040.

A fiscal impact is not able to be determined as the bill only provides authority to issue bonds.

The NDOT provided a fiscal note where a technical note raises a question of constitutionality with regard to the repayment of highway bonds utilizing the SHCIF. The revenue remitted to the SHCIF is one-quarter (1/4) of one percent (1%) of the general sales and use taxes.

Additionally, the NDOT also indicates the debt service payments will reduce revenues available for state match when obtaining Federal Funding. State funding availability for the NDOT (excluding the Aeronautics Division) is primarily determined by the Highway Cash Fund appropriation to the Roads Operations Cash Fund (as well and the actual receipts to their various cash funds). What this appropriation is set at will result in the variable gas tax adjusting every six months to ensure the departments funding needs are met. Essentially, as long as the Highway Cash Fund appropriation to the Roads Operations Cash Fund is set to assure state funding is available to meet Federal Funding match requirements and meet debt service payments, there will be no effect on the agency's ability to match available Federal Funding.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 542	AM:	AGENCY/POLT. SUB: Nebraska Department of Transportation	
REVIEWED BY: Lucas Martin	DATE: 03/01/2021	PHONE: (402) 471-4181	
COMMENTS: No basis to disagree with the Department of Transportation's assessment of fiscal impact.			

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

2021

LB⁽¹⁾ 542

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 2/18/2021 Phone: ⁽⁵⁾ 402-479-4691

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	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

LB 542 states it is the intent of the Legislature to utilize bond financing through the issuance of bonds upon the recommendation of the Nebraska Department of Transportation to the State Highway Commission for the purpose of accelerating completion of the highway construction projects identified for funding under the Build Nebraska Act. Bonds issued may not exceed \$400 million in principle and \$30 million in annual debt service for a period of not more than nineteen years. Proceeds from the sale of these bonds shall be deposited in the Highway Cash Fund for use pursuant to the Build Nebraska Act. (see technical note below)

The bonds issued shall be special obligations of the state payable solely and only from the State Highway Capital Improvement Fund and any other funds specifically pledged by the State Highway Commission. Bonding authority begins on July 1, 2021 with all bonds issued no later than June 30, 2027 and repaid by June 30, 2040.

The fiscal impact is contingent upon whether bonds would be issued and the timing of the projects. Costs of the bond issuance, such as financial advisor, bond counsel and rating agency fees are estimated at \$635,000 on bonding of \$400 million. The financing costs would vary from this estimate if bonding is done in multiple installments. The cost of bond issuance is assumed to be incorporated into the bond financing and paid from proceeds. Obligations created requiring payment of debt service on bonds will reduce revenues available for State match when obtaining Federal funding.

Technical Note: With respect to which fund the bond proceeds should be deposited, the State Highway Capital Improvement Fund is the fund that was created and designated to be used under the Build Nebraska Act. Under current law, sales tax revenues credited to the State Highway Capital Improvement Fund terminate on June 30, 2033. Because Article XIII, Section 1 of the Nebraska Constitution requires that only state revenues closely related to the use of the highways may be pledged for the repayment of highway bonds, the State Highway Capital Improvement Fund and its general sales tax revenue, would not be authorized to be used for this purpose.

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.....				