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DATE PREPARED: February 14, 2007
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LB 697

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	124,100	(900,000)	106,800	(2,400,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	124,100	(900,000)	106,800	(2,400,000)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 697 would establish the Entertainment and Tourism Development Act. A board consisting of the Governor, State Treasurer and the chairperson of the Nebraska Investment Council would review project proposal applications developed by a contracting public body to establish entertainment and tourism development districts. In the event that an eligible area was within or contiguous to a census tract with 20% of the families below the poverty line, a community partnership plan would be submitted as a part of the application. The plan would designate a community partner and set forth plans for the development of non-gentrified housing and cultural and educational facilities in the adjacent community area.

If a project was approved, the board could grant financial assistance to a contracting public body in the following manner:

- For the first 60 months of the project, an amount not to exceed 75% of the state sales and use taxes collected from taxpayers doing business within an entertainment and tourism development district could be devoted to the project. Of that amount, 62.5% would be used for project financial assistance and 12.5% would be used to carry out the community partnership plan, if required. A total of 100% of local sales and use taxes collected from taxpayers doing business within the boundaries of the district would be applied to project support. Of that amount, 75% would be devoted to financial assistance and 25% would be used to carry out the community partnership plan.

- After 60 months, an amount not to exceed 62.5% of the state sales and use taxes, of which 50% would be used for financial support and 12.5% used for the community partnership plan, and a total of 100% of local sales and use taxes, collected from taxpayers doing business in the development project area would be applied to the project, except that collections from taxpayers doing business in the project area prior the initiation of the development project and remaining intact after project completion, would be excluded. A total of 75% of local sales and use taxes would be used for financial assistance and 25% would be devoted to the community partnership plan. Financial assistance would end upon the retirement of bonds or 30 years after the public body first received financial assistance. Additionaly, 12.5% of the state sales and use taxes from new business would be appropriated for the purpose of developing tourism in all regions of the State. A specific designee for this funding is not detailed in the bill.

- Counties containing an entertainment and tourism development district that is outside the boundaries of a municipality with a local option sales tax would be allowed to levy sales and use taxes of .5%, 1% or 1.5% upon transactions within the district. Revenues would be applied to project costs. The total rate of county and municipal taxes could not exceed 1.5%.

The Department of Revenue's estimate is based upon the assumption that 4 projects of varying size could be approved for funding under the Entertainment and Tourism Development Act. Based upon that assumption, the agency estimates that state sales and use tax collections may decrease by the following amounts in the next four fiscal years:

FY07-08: ($ 900,000)
FY08-09: ($2,400,000)
FY09-10: ($4,100,000)
FY10-11: ($5,000,000)

Because of the scale, cost, timing, and approval of projects by the review board created under LB 697, there is, at this time, no basis to disagree with the estimates prepared by the Department of Revenue.

The Entertainment and Tourism Development District Fund would be created in the Department of Revenue to hold money received for financial assistance to be granted to a public body. The Department would establish separate accounts for each project and is directed to make monthly financial assistance remissions to a contracting public body. An expenditure authority may be necessary in order for the Department to remit approved financial assistance from the Entertainment and Tourism Development District Fund. The expenditure authority for such a fund would be established at a sufficiently high level to accommodate all potential financial assistance payments that would be made within a fiscal year. Total expenditures from the fund would include the total of all state sales and use taxes and local sales and use taxes deposited in the fund.

In order to carry out the provisions of this bill, the Department of Revenue estimates the following implementation costs:

Expense Items	FY08	FY09
Revenue Auditor Senior (1.0 FTE)	40,400	41,600
Revenue Conferee (1.0 FTE)	37,600	38,700
Benefits	25,700	26,500
Operating Expenses	20,400	
Total	124,100	106,800

IMPACT ON POLITICAL SUBDIVISIIONS: The impact upon local governments would vary, depending upon the existing taxation structure in the political subdivision(s), local governing body decisions and any funding modifications that might be made by the review board created in LB 697.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS

DEPARTMENT OF ECONOMIC DEVELOPMENT: LB 697, introduced by Senator Nelson, is essentially the same as LB 565, introduced by Senator Avery. Concur with agency analysis.

DEPARTMENT OF PROPERTY ASSESSMENT AND TAXATION: Concur, any fiscal impact would likely fall to the Tax Commissioner through the Department of Revenue.