

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	160,000 to 190,000	200,000	145,000 to 175,400	200,000
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	160,000 to 190,000	200,000	145,000 to 175,400	200,000

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

LB 1095 would create a Tax Increment Financing Division in the Department of Economic Development (DED) to provide state-level oversight of tax-increment financing projects that are approved under the Community Development Law. The division would be directed to develop procedures to be followed for any redevelopment project, to monitor that accountability procedures are followed, to create a tax-increment financing guide, to create a fee structure for projects that would include an amount sufficient to cover the costs of the division, and to develop rules and regulations.

Based upon historical information regarding the use of tax-increment financing in the state, DED estimates that 50 projects may be reviewed annually by the division, requiring 2.25 FTE and associated operating costs. Based upon the duties placed upon the division in LB 1095, there is no basis to disagree with this staffing estimate. It is estimated that costs to staff the division and pay for operating costs may total \$160,000 to \$190,000 in FY14-15 and \$145,000 to \$175,400 in FY15-16. The agency assumes that a \$4,000 per-project fee would provide approximately \$200,000 in revenue annually. Because LB 1095 does not establish a cash fund for the deposit of the fee, revenue would be deposited in the General Fund and would provide an offset for the actual costs.

Political subdivisions proposing to use tax-increment financing for community development projects would be required to follow procedures established by the division and to provide information regarding the project on the city website. It is estimated that the procedures established in LB 1095 would not significantly modify the costs of communities developing such projects.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 1095	AM:	AGENCY/POLT. SUB: Dept. of Economic Development
REVIEWED BY: Gary Bush	DATE: January 30, 2014	PHONE: 471-4161
COMMENTS: Agree with the Dept. of Labor's estimate of impact.		

State Agency Estimate

State Agency Name: Dept. of Economic Development

Date Due LFA: 1/30/2014

Approved by: Lara Huskey

Date Prepared: 1/24/2014

Phone: 471-3777

	FY 2013-2014		FY 2014-2015		FY 2015-2016	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds			\$189,449	\$200,000	\$175,400	\$200,000
Cash Funds						
Federal Funds						
Other Funds						
Total Funds			\$189,449	\$200,000	\$175,400	\$200,000

LB 1095 would create a new division of the Department of Economic Development, named the Tax-increment Financing Division. The Division would provide state-level oversight of tax-increment financing projects that are approved under the Community Development Law. The Division would also establish statewide procedures that must be followed for redevelopment projects under the Community Development Law, and establish accountability standards for redevelopment authorities to include as part of their redevelopment plans.

The Division would be required to create a well-defined and transparent tax-increment financing guide to be made available to the public. The Division would also be required to establish a fee structure for tax-increment financing projects in an amount sufficient to cover the costs of the Division. The Department would be required to promulgate rules and regulations to carry out the provisions of LB 1095.

LB 1095 would also modify the Community Development Law by adding qualifications for members of a community redevelopment authority, and by requiring the authority to establish and publish measureable metrics and thresholds achieved for each redevelopment project. The authority would also be required to conduct a cost-benefit analysis for each redevelopment project, following procedures established by the Division. Finally, the authority would have to report to the Division on certain information relating to the redevelopment plan.

As drafted, the department would have additional costs to implement LB 1095. The Tax-increment Financing Division would be staffed by a manager, and a financial packager, the division would require the services of an economist for about 500 hours per year. The costs would include \$17,000 in one-time costs for telephone, office equipment and computers. Between 2008 and 2012 there have been an average of 53 new TIF projects annually, with an average of 45 new projects between 2001 and 2012. Assuming 50 TIF projects, the fee would be approximately \$4,000 per project to cover the costs of the new division. Because there is not a cash fund established in LB 1095 to support the new division, the fees are assumed to be General Fund receipts.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>13-14 FTE</u>	<u>14-15 FTE</u>	<u>15-16 FTE</u>	<u>13-14 Expenditures</u>	<u>14-15 Expenditures</u>	<u>15-16 Expenditures</u>
G49550	Economic Development Manager		1.0	1.0		\$47,788	\$48,983
A49280	Economic Development Financial Packager		1.0	1.0		43,154	44,233
A13910	Economist		0.25	0.25		11,599	11,889
	Benefits.....					64,908	65,295
	Operating Costs.....					17,000	
	Travel.....					5,000	5,000
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
Total.....						\$189,449	\$175,400