

Revised to reflect adoption of AM223.

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	\$14,000,000		\$14,000,000	
CASH FUNDS				
FEDERAL FUNDS		(\$14,000,000)		(\$14,000,000)
OTHER FUNDS				
TOTAL FUNDS	\$14,000,000	(\$14,000,000)	\$14,000,000	(\$14,000,000)

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

As amended by AM223, LB156 Establishes the Municipal Inland Port Authority Act. The bill details the powers and duties of a Inland Port Authority as well as the processes and requirements related to establishing and operating an authority. An authority established under the act may accept appropriations, including funds appropriated by the Legislature pursuant to 81-12,146.

Also established is Legislative *intent* to transfer \$5 million from the General Fund to the Department of Economic Development (DED) administered Site and Building Development Fund (fund established by 81-12,146) in FY23 and FY24*. The transferred funds would be earmarked for use to provide financial assistance to large shovel-ready commercial and industrial sites developed under the act. In the event a transfer is authorized pursuant to the intent language, a General Fund loss of \$5 million would be present in FY23 and FY24* (if the future legislature adheres to the bill's intent). An A-bill would provide the necessary authority for the DED to carry out the provisions of the bill utilizing the Site and Building Development Fund.

The DED and Department of Revenue have indicated they are able to implement the provisions of LB156, as amended, within their existing resources.

The Worker's Compensation Court provided a fiscal note indicating the language in Section 9 may have result in a General Fund and Cash fund impact in the event an Inland Port Authority created under the provisions of the bill would elect to be self-insured. This is due to Section 9 exempting the Inland Port Authority from paying any taxes or any assessments to the state. The Worker's Compensation Court has assessments on applicants for, and entities that are self-insured. The agency further indicates they do not have enough information to estimate the specific fiscal impact the legislation would have.

The Department of Labor provided (NDOL) a fiscal note indicating Section 9 of the bill would result in an increase in General Fund expenditures in the amount of \$14,000,000 to supplant the equal loss in Federal Fund revenue. These impacts would be actualized starting in FY22, and would continue annually. The impact is a result of an Inland Port Authority being exempt from paying any taxes or any assessments to the state of Nebraska and the NDOL continuing to operate the unemployment program for Nebraska. The Department of Labor indicates the tax/assessment exemption creates a federal conformity issue as all employers of the State of Nebraska subject to the Nebraska Employment Security Law are required to pay unemployment contributions in support of the Nebraska Unemployment Trust Fund.

The NDOL also discusses the loss of employer's ability to be eligible for the Federal Unemployment Tax Act credit. As this is a federal tax credit which has no bearing on the State of Nebraska or its political subdivisions, it is not included in this fiscal note.

Technical note: Based on the bills current language, it is unclear if the \$5,000,000 General Fund transfer to the DED Site and Building Development Fund is intended to occur once in FY23 only and be expended during FY23 and FY24, or if a transfer of \$5,000,000 is intended to occur each fiscal year (total \$10,000,000).

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 156	AM: 223	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Jacob Leaver	DATE: 3/31/2021	PHONE: (402) 471-4173
COMMENTS: No basis to dispute the Department of Economic Development's estimate of potential fiscal impact to the agency as a result of LB 156 AM 223.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 156	AM: 223	AGENCY/POLT. SUB: Nebraska Workers' Compensation Court (37)
REVIEWED BY: Joe Wilcox	DATE: 04/01/2021	PHONE: (402) 471-4178
COMMENTS: No basis to dispute the Nebraska Workers' Compensation Court estimate of potential loss of both Workers' Compensation Court Cash Fund Revenue and General Fund Revenue, from the provisions of the Urban Affairs Committee Amendment – AM 223, to LB 156.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 156	AM: 223	AGENCY/POLT. SUB: Nebraska Department of Labor
REVIEWED BY: Jacob Leaver	DATE: 04/01/2021	PHONE: (402) 471-4173
COMMENTS: No basis to disagree with the Nebraska Department of Labor's estimate of potential fiscal impact to the agency as a result of AM 223 on LB 156.		

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be no costs to the Department to implement this bill.

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

2021

LB⁽¹⁾ LB156 AM223

FISCAL NOTE

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

Prepared by: ⁽³⁾ Anthony Goins Date Prepared: ⁽⁴⁾ 3/25/2021 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				(\$5,000,000)
CASH FUNDS			\$5,000,000	\$5,000,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$5,000,000	\$0

Explanation of Estimate:

LB 156, as amended by AM223, would establish the Municipal Inland Port Authority Act. The bill would allow inland port districts to be established.

LB156 would permit Inland port authorities take steps to establish a foreign trade zone under federal law; acquire, sell, and lease property; operate intermodal facilities; and issue revenue bonds. As amended, the LB156 does not give the port authority the power to levy any taxes. The authority is exempted from any taxes or assessments to the State of Nebraska or any political subdivision of the state, except for inheritance and gift taxes and taxes on transfers. The bill as amended contains intent language for the transfer of \$5 million from the General Fund to a newly created subaccount in DED's Site and Building Development Fund in FY2022-23 and FY2023-24. These funds are to be earmarked for use to finance large shovel-ready commercial and industrial sites developed under the act.

DED's responsibilities under LB156 as amended, appear only to certify the first five port authority applications and to create a subaccount in the Site and Building Development Fund for disbursing these funds for shovel-ready commercial and industrial sites. There does not appear to be any language that would require DED to distribute these funds among inland port authorities in any particular manner. Given the limited responsibilities for DED, the Department can administer the provisions of LB156 AM223 within current resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

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

2021

LB⁽¹⁾ 156, AM 223

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Workers' Compensation Court

Prepared by: ⁽³⁾ Jill Gradwohl Schroeder Date Prepared: ⁽⁴⁾ March 31, 2021 Phone: ⁽⁵⁾ (402) 471-3602

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	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	_____	_____	_____	_____

Explanation of Estimate:

The Nebraska Workers' Compensation Court (the Court) is primarily funded (96 percent) from assessments made against insurers, risk management pools, and *self-insured employers*. See Neb. Rev. Stat. §§ 48-1,113 through 48-1,117; 48-145; and 48-162.02. [The term "prospective loss costs" is defined in Neb. Rev. Stat. §§ 48-151 and 44-7504.] For entities created by LB 156, AM 223, that otherwise would be eligible for *self-insurance* under the Nebraska Workers' Compensation Act, if enacted, this legislation would have a direct fiscal impact on the funding of the Nebraska Workers' Compensation Court because it would prohibit "assessments" against those entities.

Additionally, Neb. Rev. Stat. § 48-145.04 provides for an assessment against each *applicant* for self-insurance, in an amount not to exceed \$2,000.00 for "evaluating applications for self-insurance and to aid in supervising and administering the self-insurance program." If an entity created under this legislation applied for self-insured status, the Court would not be able to make the application assessment against that entity.

A portion of the assessments made by the Court against self-insured employers is credited to the General Fund. See Neb. Rev. Stat. § 48-145. In Fiscal Year 2020, \$2,379,756 in assessments on self-insured employers were made under Neb. Rev. Stat. § 48-145 and credited to the General Fund.

At this time, the Court doesn't have enough information to estimate the specific fiscal impact this legislation would have upon the Court's funding or the General Fund, but this legislation would set the stage for a detrimental impact on the funding as described above.

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.....	_____	_____	_____	_____

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

2021

LB⁽¹⁾ 156, AM223

FISCAL NOTE

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

Prepared by: ⁽³⁾ Katie Thurber Date Prepared: ⁽⁴⁾ 3-26-2021 Phone: ⁽⁵⁾ 402-471-9912

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	\$14,000,000		\$14,000,000	
CASH FUNDS				
FEDERAL FUNDS	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)
OTHER FUNDS				
TOTAL FUNDS		(\$14,000,000)		(\$14,000,000)

Explanation of Estimate:

LB 156 would establish the Municipal Inland Port Authority Act. The bill would allow inland port districts to be established in cities of the metropolitan, primary and first class. An inland port district is an area within one mile of a navigable river, one mile of a major railroad line, two miles of an interstate highway, or two miles of an airport with commercial service. An inland port authority is exempt from all state and local taxes.

It is a federal conformity issue that all employers of the state of NE subject to the NE Employment Security Law are required to pay unemployment contributions in support of the NE Unemployment Trust Fund. As drafted LB156 with AM223 prohibits all NE taxes, this would include state unemployment insurance tax. This creates a federal conformity issue.

If LB 146 with AM 223 passed as drafted, NDOL would lose approximately \$14 million annually in federal grant funding for Nebraska’s unemployment insurance program. This impact is noted in the table above with a decrease in revenue from Federal Funds and an increase in expenditures of General Funds replacing the current Federal Funds expense. The shift of funding source is to enable NDOL to continue operating an unemployment program for Nebraska.

Further, Nebraska employers would lose their Federal Unemployment Tax Act (FUTA) credit. The FUTA tax is 6.0% on the first \$7,000 an employee earns. Any earnings beyond \$7,000 are not taxed. Currently, the tax credit is 5.4%. Losing this tax credit would increase taxes on Nebraska employers in excess of \$400 million. This impact is not noted in the table above.

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.....				