

Revised due to adoption of amendments on Select File.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				(\$7,476,000)
CASH FUNDS		\$10,000		(\$303,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$10,000		(\$7,779,000)

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

LB 104, as amended by AM 525 on General File, amends the Nebraska Advantage Act.

The bill amends Section 77-5715 regarding what is considered a qualified business for Tier 2, 3, 4 or 5 projects, to add a business engaged in the production of electricity by using one or more sources of renewable energy to produce electricity for sale.

Renewable energy sources include but are not limited to: wind, solar, geothermal, hydroelectric, biomass, and transmutation of energy.

NOTE: Transmutation of energy is not defined in the bill but is generally understood to mean the conversion of one chemical element into another, typically by some type of nuclear reaction.

LB 104, as amended by AM 1446 on Select File, also amends the Nebraska Advantage Act to provide that the investment level for a Tier 5 project that produces electricity for sale from a renewable energy source is at least \$20 million. AM 1446 also excludes the investment threshold for such a project from the indexing requirements of 77-5725 (9)(b) which means that the minimum investment required to qualify for Advantage Act benefits will remain at the \$20 million level instead of changing each year in accordance with the Producer Price Index for all commodities.

LB 104, as amended by AM 1484, amends Section 77-27,142 which deals with the local option sales tax. The amendment provides that a city of the metropolitan class may impose a local sales tax rate of one-half percent, one percent, or one and one-half percent. All other cities may continue to impose local sales tax rates up to two percent.

The Department of Revenue has indicated that due to the capital intensity but limited employment requirements of renewable energy projects, only major wind farms would qualify under the investment and job creation thresholds of Tier 5 of the Advantage Act. The Department also notes that while long-term fiscal impact depends in part on the continuation or termination of the federal wind energy production tax credit, they assume four wind projects – two 200 megawatt projects and two 75 megawatt projects – will start construction sometime in FY2013-14, with Advantage Act refunds occurring in FY2014-15, FY2015-16, and FY2016-17, as well as ongoing capital replacement expenses thereafter. If the federal credit is renewed, the Department expects additional wind farms will be constructed in three to five year increments thereafter.

The fee for a Nebraska Advantage Act Tier 5 project is \$2,500.

The Department of Revenue estimates the following fiscal impact to the following funds as a result of LB 104, as amended:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Nebraska Incentives Fund:	Total:
2013-14:	\$ 0	\$ 0	\$ 10,000	\$ 10,000
2014-15:	(\$ 7,476,000)	(\$ 303,000)	\$ 0	(\$ 7,779,000)
2015-16:	(\$26,316,000)	(\$1,066,000)	\$ 0	(\$27,382,000)
2016-17:	(\$ 7,884,000)	(\$ 318,000)	\$ 0	(\$ 8,202,000)

The Department of Revenue estimates the cost to implement LB 104, as amended, to be minimal.

We agree with the Department of Revenue's estimate of fiscal impact and cost.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the following impact to the Highway Allocation Fund:

FY2013-14:	\$ 0
FY2014-15:	(\$ 53,000)
FY2015-16:	(\$192,000)
FY2016-17:	(\$ 56,000)

We agree with the Department of Revenue's estimate of fiscal impact.

AM 1484 removes the authority for a city of the metropolitan class to impose a sales tax rate of two percent. In 2012, the city of Omaha estimated that an increase in the local option sales tax provided for in LB 357 (2012) would provide \$29 million in additional net revenue if the city was to implement a sales tax rate of two percent, assuming voter approval. However, the city of Omaha has not implemented an increase in the local sales tax rate up to the two percent permitted by LB 357 and the Omaha sales tax rate continues to be one and one-half percent at this time.

