

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2000-2001		FY 2001-2002	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS			**See below	**See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

** LB1349 will impact expenditures from and revenue credited to (1) the Building Renewal Allocation Fund and (2) the Information Technology Infrastructure Fund. Both funds are designated as cash funds for state accounting purposes.

Under provisions of LB1349, the equivalent of 2 cents of annual cigarette tax receipts currently scheduled to be credited to the Building Renewal Allocation Fund beginning in FY01-02 would instead be credited to the Information Technology Infrastructure Fund. In terms of actual FY98-99 tax revenue, the equivalent of 2 cents of cigarette tax receipts represented slightly less than \$2.6 million. To the extent future cigarette tax receipts vary from FY98-99 actual revenue, the amount represented by the equivalent of 2 cents of the tax will vary as well. LB1349 does not alter the total state tax rate imposed on cigarettes (34 cents per pack of 20). Therefore, any future variation in the annual 2 cent equivalent amount would not represent a fiscal impact of LB1349, but rather would reflect impacts of other factors influencing the consumption of cigarettes taxed by the state. LB1349 will not impact total state cigarette tax revenue nor will it impact total expenditure of collected receipts. The bill will, beginning with FY01-02, alter the current scheduled allocation of cigarette tax receipts and the purpose for which the equivalent of 2 cents of the tax is to be expended. Again, the equivalent of 2 cents of the tax represented slightly less than \$2.6 million dollars in terms of FY98-99 actual receipts.

Under current law, use of the 2 cent cigarette tax amount noted above would generally be restricted to expenditures by the "309" Task Force for building renewal work (deferred maintenance) relating to state facilities. Such expenditures would be governed under provisions of the Deferred Building Renewal Act. Under LB1349, use of this 2-cent cigarette tax amount would be subject to provisions governing expenditures from the Information Technology Infrastructure Fund. This fund was established by LB1190 (1996) and has, for the most part, been used since FY96-97 to accommodate appropriations/expenditures for the state's "century date change project." LB1349 amends current law so expenditures from the Information Technology Infrastructure Fund are used to attain the following goals:

- 1) Improving the efficiency of and reducing the cost of state government and its various agencies;
- 2) Improving the technical capabilities and productivity of state employees and students, faculty, and administrators in state educational institutions;
- 3) Addressing enterprise-wide information technology issues;
- 4) Clearly identifying and providing accountability for the costs and benefits of information technology in state government, and;
- 5) The goals and priorities identified in the statewide technology plan.

Enterprise projects are endeavors which would have a significant effect on a core business function and would affect multiple government programs, agencies, or institutions. Enterprise projects have a fixed time-frame and are information technology related projects. LB 1349 goes on to state that enterprise projects include all aspects of planning, design, implementation, project management, and training related to the endeavor. No contract or expenditure for the implementation of an enterprise project may be initiated unless the Nebraska Information Technology Commission (NITC) has approved a project plan. The Chief Information Officer is charged with reporting the status of enterprise projects to the NITC, Governor, and Legislature.

The equivalent of 7 cents of cigarette tax receipts has annually been allocated to the Building Renewal Allocation Fund since FY97-98. Starting in FY01-02, the amount to be allocated to the Building Renewal Allocation Fund is to increase to the equivalent of 9 cents of the tax annually and is scheduled to continue at this level indefinitely. This earmark of cigarette tax receipts was enacted in 1996 by LB1190. Use of the Building Renewal Allocation Fund is generally limited to allocation of funds appropriated by the Legislature to the Task Force for Building Renewal ("309" Task Force) for deferred maintenance and repair of state buildings. However, LB 1190 (1996) also provided that, for FY97-98 through FY00-01, expenditures from the Building Renewal Allocation Fund could be made to support the Information Technology Infrastructure Act (also in LB 1190) including the "century date change project." LB1190 provided that such expenditures were to be at the direction of and subject to express appropriation by the Legislature. Additionally, such expenditures were limited to no more than the equivalent of 2 cents of annual anticipated cigarette tax revenue for each of the four years. For each of the four years of the period FY97-98 through FY00-01, the Legislature appropriated \$2.6 million from the Building Renewal Allocation Fund to support the state's "century date change project." These amounts approximated the equivalent of 2 cents of cigarette tax receipts for each of the years.

Of the 7 cents credited or to be credited to the Building Renewal Allocation Fund for the four year period FY97-98 through FY 00-01, only 5 cents of the tax has therefore been available to the Task Force for Building Renewal to carry out deferred maintenance and repair projects. Statutory authority to expend amounts from the Building Renewal Allocation Fund for purposes of the Information Technology Infrastructure Act expires after FY00-01. Thus, the equivalent of 2 cents of cigarette tax receipts that had been supporting the state's "century date change project" is scheduled to be "freed up" to support building renewal work beginning with FY01-02. Additionally, the earmark of cigarette tax receipts to be credited to the Building Renewal Allocation Fund under current law is to increase from the equivalent of 7 cents to the equivalent of 9 cents of the tax beginning with FY01-02. This increase in the Building Renewal Allocation Fund earmark is to occur upon expiration of another earmark after FY00-01. LB961 (1994) earmarked the equivalent of 2 cents of annual cigarette tax receipts for the Omaha Public Events Facilities Fund (Omaha Civic Auditorium renovation project). The earmark commenced with FY95-96 and, under current law expires after FY00-01. Upon expiration of this 2-cent earmark after FY00-01, the current 7-cent earmark for the Building Renewal Allocation Fund is increased to 9 cents beginning with FY01-02.

The tables on the following page summarize scheduled distribution of cigarette tax receipts under current law versus the distribution proposed under LB1349. For purposes of illustration, the equivalent of each 1-cent of the total 34-cent tax rate is represented as \$1.3 million. While \$1.3 million closely approximates the level of receipts generated by each 1 cent of the tax for FY98-99, the following is not intended as a forecast of future receipts. A variety of factors indicate future general declines in cigarette consumption and thus declines in the level of receipts to be generated by each 1 cent of the state's cigarette tax rate in the future.

Continued on page 3

Cigarette Tax Distribution – Current Law (Sec. 77-2602)

Annual Allocations	FY99-00 Through FY00-01	FY01-02 Through FY08-09	FY09-10 Through Future	FY99-00 Through FY00-01	FY01-02 Through FY08-09	FY09-10 Through Future
General Fund	21 ¢	21 ¢	21 ¢	27,300,000	27,300,000	27,300,000
Less: MIRF (Through FY08-09)				- 3,000,000	- 3,000,000	- 0
Net General Fund				24,300,000	24,300,000	27,300,000
Game & Parks (NORDA)	1 ¢	1 ¢	1 ¢	1,300,000	1,300,000	1,300,000
Cancer Research	3 ¢	3 ¢	3 ¢	3,900,000	3,900,000	3,900,000
Civic Auditorium	2 ¢	--0--	--0--	2,600,000	0	0
Building Renewal Allocation Fund:						
--- "Century Date Change" Project	2 ¢	--0--	--0--	2,600,000	0	0
--- "309" Task Force	5 ¢	9 ¢	9 ¢	6,500,000	11,700,000	11,700,000
Municipal Infrastructure Redevelopment Fund (MIRF)				3,000,000	3,000,000	0
TOTAL	34 ¢	34 ¢	34 ¢	44,200,000	44,200,000	44,200,000

Cigarette Tax Distribution – LB1349 Proposed

Annual Allocations	FY99-00 Through FY00-01	FY01-02 Through FY08-09	FY09-10 Through Future	FY99-00 Through FY00-01	FY01-02 Through FY08-09	FY09-10 Through Future
General Fund	21 ¢	21 ¢	21 ¢	27,300,000	27,300,000	27,300,000
Less: MIRF (Through FY08-09)				- 3,000,000	- 3,000,000	- 0
Net General Fund				24,300,000	24,300,000	27,300,000
Game & Parks (NORDA)	1 ¢	1 ¢	1 ¢	1,300,000	1,300,000	1,300,000
Cancer Research	3 ¢	3 ¢	3 ¢	3,900,000	3,900,000	3,900,000
Civic Auditorium	2 ¢	--0--	--0--	2,600,000	0	0
Building Renewal Allocation Fund:						
--- "Century Date Change" Project	2 ¢	--0--	--0--	2,600,000	0	0
--- "309" Task Force	5 ¢	7 ¢	7 ¢	6,500,000	9,100,000	9,100,000
Municipal Infrastructure Redevelopment Fund (MIRF)				3,000,000	3,000,000	0
Information Technology Infrastructure Fund	--0--	2 ¢	2 ¢	--0--	2,600,000	2,600,000
TOTAL	34 ¢	34 ¢	34 ¢	44,200,000	44,200,000	44,200,000

Finally, LB1349 effectively provides that the unexpended balance of funds appropriated from the Building Renewal Allocation Fund for the "century date change project" is to be transferred to the Information Technology Infrastructure Fund at the close of FY00-01. Absent this provision in LB1349, this balance would remain in the Building Renewal Allocation Fund and would be available for appropriation to the "309" Task Force for building renewal projects for the 2001-03 biennium. The Department of Administrative Services estimates the amount of this balance to be \$319,379.