

Revised to include new information and correct error.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$25,400,000	\$56,065,000	\$25,000,000	\$54,642,000
CASH FUNDS	\$75,000,000	\$83,469,000	\$75,000,000	\$80,523,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$100,400,000	\$139,534,000	\$100,000,000	\$135,165,000

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

Table One: Revenue Impact to the General Fund:

Fiscal Year:	Column A:	Column B:	Column C:	Column D:	Column E:
	Cigarette Tax Revenue:	Sales Tax Revenue:	Total: (Col. A + Col. B)	Allocation for Personal Property Credit Relief Act:	Total General Fund: (Col. C + Col. D)
2016-17:	\$5,149,000	\$5,916,000	\$11,065,000	\$45,000,000	\$56,065,000
2017-18:	\$4,142,000	\$5,500,000	\$ 9,642,000	\$45,000,000	\$54,642,000
2018-19:	\$3,712,000	\$5,400,000	\$ 9,112,000	\$45,000,000	\$54,112,000

Table Two: Revenue Impact to Cash Funds:

Fiscal Year:	Tobacco Products Admin. Cash Fund:	Health Care Cash Fund:	Property Tax Credit Cash Fund:	Nebraska Capital Construction Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund: (Local)	Total Cash Fund:
2016-17:	\$1,385,000	\$30,000,000	\$45,000,000	\$6,845,000	\$239,000	\$43,000	\$83,512,000
2017-18:	\$1,440,000	\$30,000,000	\$45,000,000	\$3,853,000	\$230,000	\$39,000	\$80,562,000
2018-19:	\$1,498,000	\$30,000,000	\$45,000,000	\$2,807,000	\$224,000	\$38,000	\$79,567,000

The cost to implement the provisions of LB 1013 should be minimal.

LB 1013 DESCRIPTION:

LB 1013 amends several sections of Nebraska statutes to increase the cigarette tax, increase the tax on tobacco products other than snuff, increase the tangible personal property tax exemption, states intent to appropriate to certain funds, and eliminates a restriction on the funding of additional programs from the Nebraska Health Care Cash Fund.

The bill increases the special privilege tax on cigarettes from the current \$0.64 per package to \$2.14 per package.

The bill also increases the tax on tobacco products other than snuff from the current 20% of the wholesale price to 31% of the wholesale price.

In addition, LB 1013 increases the exemption amount for tangible personal property from the current \$10,000 to \$25,000.

The bill proposes to appropriate a total of \$31,250,000 each fiscal year beginning in FY2016-17 to the Nebraska Health Care Cash Fund (an increase of \$30,000,000) with the following entities or programs receiving new or additional funds:

- \$4,000,000 annually to the Board of Regents for UNMC to be used to educate and train public health professionals, and develop a shared public health data network and evaluation center;
- \$1,000,000 annually to the Board of Regents for UNMC to be used by the Behavioral Health Education Center;
- \$1,000,000 annually to the Board of Regents for UNMC to be used by Area Health Education Centers;

- \$10,000,000 annually to the Department of Health & Human Services for the biomedical research program for purposes of research on cancer and smoking-related illness;
- \$1,000,000 annually to the Tobacco Prevention and Control Program;
- \$3,000,000 annually to the Department of Health & Human Services for the public health aid program to be distributed to federally qualified health centers;
- \$6,000,000 annually to the County Public Health Aid Program for distribution to local public health departments;
- \$1,500,000 annually to the Department of Health & Human Services for the health aid program to provide for training and recruitment of emergency medical services personnel and firefighters;
- \$2,000,000 annually to the Department of Health & Human Services for rate increases for behavioral health providers;
- \$500,000 annually to the Department of Health & Human Services for transformation of the provision of health care pursuant to LB 549 (2016).

NOTE: LB 549 was introduced in 2015 and has not been advanced from the Health and Human Services Committee to General File.

LB 1013 also proposes the following additional expenditures:

- \$45,000,000 annually to be placed into the Property Tax Credit Cash Fund;
- \$45,000,000 annually to be credited to the General Fund for the purposes of the Personal Property Tax Relief Act

Current earmarks, totaling \$21,969,426, would continue to be funded

NOTE: As currently written the operative date of the bill would be sometime in late July 2016. However, distribution to the various funds and programs is to take place July 1, 2016 – before the bill becomes operative.

NOTE ON FISCAL IMPACT:

As noted above, LB 1013 proposed to allocate an additional \$45,000,000 to the General Fund to cover the projected expenditures related to the Personal Property Tax Relief Act (LB 259, 2015) at the \$25,000 exemption rate level. In the original fiscal note for LB 259, the projected expenditure for FY16-17 was \$41,500,000 at the \$25,000 exemption level. In the final amended version of LB 259 the exemption level was set at \$10,000 and the fiscal impact was projected to be \$19,600,000 in the first year and that amount was appropriated to the Department of Revenue in LB 259A. Because LB 1013 provides for an additional \$45,000,000 to the General Fund to cover the cost of the Personal Property Tax Relief Act theoretically there is a surplus of funds to expend on the program. The expenditure for LB 259 should therefore be considered when determining the fiscal impact of LB 1013. In essence there would be almost \$65,000,000 to fund a program that will cost approximately \$45,000,000. If the provisions of Section 4 of LB 1013 were a separate bill and an A-bill was required, the amount of appropriation for that A-bill would be approximately \$25,400,000 for FY2016-17, not \$45,000,000, because of the appropriation already made in 2015 in LB 259A. This revised fiscal note now takes into account the effect of the current appropriation for LB 259 and projected future expenditure levels.

In addition, because LB 1013 provides that the \$45,000,000 is to be placed in the General Fund, it is therefore considered General Fund revenue but because it is to be used for purposes of LB 259, the Personal Property Tax Relief Act, it somewhat resembles a Cash Fund. However, we are showing it as General Fund revenue which somewhat distorts the actual impact to General Fund revenue.

IMPACT TO POLITICAL SUBDIVISIONS:

It is estimated that the fiscal impact to the Highway Allocation Fund will be as follows:

FY2016-17:	\$43,000
FY2017-18:	\$39,000
FY2018-19:	\$38,000