

Revised to reflect the adoption of AM2768.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2008-09</b>		<b>FY 2009-10</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				(250,000)
CASH FUNDS				See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				(250,000)

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

Fuel Tax Changes

LB 846 would establish a 5% sales tax on motor fuel at the wholesale level based off of the average wholesale price of gasoline. Revenue generated from this tax would be distributed 66% to the Department of Roads (Highway Cash Fund) and 34% to cities and counties (Highway Allocation Fund). The amended bill would limit the tax increase or decrease caused by the change in the wholesale price from one six month period to the next to 1¢ per gallon. The new operative date is July 1, 2009. The current fixed cent per gallon tax rates and their distribution to the Department of Roads and cities and counties are also changed. The following table illustrates the changes proposed in the bill as amended.

Estimated revenue and tax rates under current law (FY08-09):

	<u>Tax Rate (¢)</u>	<u>Total</u>	<u>Roads</u>	<u>Local</u>
Fixed tax	2.0	24,436,000		24,436,000
Fixed tax	10.5	128,289,000	68,378,000	59,911,000
Variable tax	14.0	171,052,000	171,052,000	
Total tax 26.5¢	26.5	323,777,000	239,430,000	84,347,000

Estimated revenue and tax rates under LB 846 (see footnote below for assumptions):

	<u>Tax Rate (¢)</u>	<u>Total</u>	<u>Roads</u>	<u>Local</u>
Fixed tax	2.8	34,210,000		34,210,000
Fixed tax	7.5	91,635,000	91,635,000	
Variable tax	4.0	48,872,000	48,872,000	
Sales tax	12.2	149,059,000	98,379,000	50,680,000
Total tax 26.5¢	26.5	323,777,000	238,886,000	84,891,000

Footnote: Assumptions are that the wholesale price of fuel will be \$2.44 for FY09-10; that 1¢ of the fuel tax generates \$12,218,000; and that the revenue generated from fuel taxes for FY08-09 and FY09-10 are constant.

Based on the identified assumptions, the estimated total tax rate for FY09-10 is 26.5¢ under the provisions of LB846, which is the same as the projected tax rate for FY08-09. There is a slight shift in revenue from Roads to cities and counties of \$544,000. If the wholesale price of fuel rises the revenue generated from the sales tax on fuel will increase due to the linkage between price and the calculated per gallon tax rate. How this affects the total fuel tax will be dependent on the Department of Road's appropriation as set by the Legislature and its impact on the variable fuel tax component of the total tax rate.

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### Cash Reserve Fund Transfers

The bill as amended provides for three \$5 million transfers from the Cash Reserve Fund to the Roads Operations Cash Fund on July 7, 2009; July 7, 2010 and July 7, 2011. The use of this transferred money is restricted to providing the state match for federal funding made available to the state through congressional earmarks. The department's construction expenditures will increase over a period of several years since projects can take several years to complete. The \$15 million of transferred funding will provide the state match for \$60 million of federal funds based on a 20/80 matching ratio. An estimate of the cash flow of expenditures is not available at this time and for this reason an estimate of any investment income gain to the department is also unavailable.

The interest earned on the invested Cash Reserve Fund (CRF) balance is deposited into the General Fund. Therefore, reducing the CRF invested balance by \$5 million in each of the three years will reduce General Fund interest revenue. Based on a 5% interest rate, the estimated General Fund revenue loss would be \$250,000 in FY09-10, \$500,000 in FY10-11, and \$750,000 in FY11-12.