

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$30,000			(See Below)
CASH FUNDS	\$2,000	See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$32,000	See Below		(See Below)

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

LB 1108 amends the Compressed Fuel Tax Act to impose an excise tax and create the Compressed Natural Gas Innovation Fund. The bill has an effective date of July 1, 2010 and contains the emergency clause.

The bill would impose an additional excise tax of ten cents per gallon for compressed natural gas sold for motor vehicle use. The money received would be credited to the Highway Trust Fund and, after credits and refunds would be distributed as follows:

- 66% - Highway Cash Fund for Department of Roads
- 17% - Highway Allocation Fund for allocation to counties for road purposes
- 17% - Highway Allocation Fund for allocation to municipalities for road purposes

The bill also creates the Compressed Natural Gas Innovation Fund, which allows each natural gas provider to create and administer a grant program for compressed natural gas innovation projects. The program would be funded by designating up to 10 percent of the compressed natural gas provider's state sales tax for the program, which would be matched by the provider.

A compressed natural gas innovation project is defined as an infrastructure investment relating to storage, distribution, or dispensing of compressed natural gas, the acquisition of motor vehicles that operate on compressed natural gas, and conversion of motor vehicles to operate using compressed natural gas.

The Department of Revenue estimates that at least one compressed natural gas fueling station would be built as an innovation project. Compressed natural gas fueling stations are estimated by the U.S. Department of Energy to cost approximately \$425,000 to construct. The impact to the State's General Fund for one project would be a loss of approximately \$212,500 for FY11-12.

The Department of Revenue estimates the fiscal impact of the compressed natural gas excise tax to be an increase to the Highway Trust Fund of \$18,800, \$32,500, and \$33,800 for FY10-11, FY11-12, and FY12-13, respectively. The Department is projecting a substantial increase in compressed natural gas used for fuel due to increases in fleet conversions and purchases.

However, an examination of compressed natural gas consumption as tracked by the Nebraska Energy Office shows the following:

2006:	58,026 gallons
2007:	45,580 gallons
2008:	49,320 gallons
2009:	22,814 gallons (partial year: January through June)

Based on historical consumption levels and allowing for a 15 percent increase in compressed natural gas fuel usage (U.S. Dept. of Energy estimate) the amount of revenue increase due to the new excise tax would be \$5,750, \$6,612, and \$7,612 for FY10-11, FY11-12, and FY12-13, respectively.

The Department of Revenue's estimate of the cost to implement LB 1108 includes \$30,000 to develop a processing system for the cash subaccounts created by the bill, and \$2,000 to modify the Motor Fuels Processing System. Ongoing costs are expected to be minimal.

There is no basis to disagree with the Department's estimate of their cost to implement LB 1108.