

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$5,579,000)		(\$5,439,000)
CASH FUNDS				(\$ 152,500)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$5,579,000)		(\$5,591,500)

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

LB 1033 amends the Nebraska Advantage Act to create a new Tier 7 in the Act for renewable energy projects.

For a Tier 7 project a "qualified business" is defined as a business engaged in the production of electricity for sale by using one or more renewable energy sources. Qualified renewable energy sources include wind, solar, geothermal, hydroelectric, and biomass.

The application fee for a Tier 7 project is \$2,500 and applications may be filed up to January 1, 2019.

A Tier 7 project must meet the required levels of investment by the fourth year after the year in which the application was submitted and then has an entitlement period that includes the year during which the required increase in investment was met or exceeded and six years thereafter. There is no employment requirement for a Tier 7 project.

For a project that has qualified investment of less than \$75 million: the qualified business shall receive a refund of 50% of all sales and use taxes paid on qualified purchases; a refund of an additional 25% of sales and use taxes paid on additional specified purchases of goods and services, lease and easement payments, and qualified contributions to an employee stock ownership plan; and a refund of the remaining 25% of sales and use taxes paid on qualified transactions if the taxpayer is a Nebraska resident or Nebraska residents own at least 25% of the business.

For a project that has qualified investment of more than \$75 million: the qualified business shall receive a refund of 75% of all sales and use taxes paid on qualified purchases; a refund of the remaining 25% of sales and use taxes paid if 25% or more of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services.

Incentive amounts are subject to recapture or may be disallowed if investment levels are not maintained as required by statute.

Because the bill does not require a minimum level of investment, it appears that small home, agricultural, or commercial producers of electricity will qualify for the incentive given the state's net metering statutes, which require power companies to purchase excess electricity generated by these small producers. We believe a number of these producers will file applications.

The Department of Revenue estimates the following fiscal impact:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund:	Nebraska Incentives Fund:	Total:
FY2012-13:	(\$5,579,000)	\$ 0	\$ 0	\$ 67,500	(\$ 5,579,000)
FY2013-14:	(\$5,439,000)	(\$ 220,000)	(\$ 39,000)	\$ 67,500	(\$ 5,630,500)
FY2014-15:	(\$5,556,000)	(\$ 224,000)	(\$ 40,000)	\$ 67,500	(\$ 5,752,500)

The Department estimates the cost to implement LB 1033 to be minimal, although there will be some costs associated with modifying the LB 312 tracking system.

We agree with the Department of Revenue estimate of fiscal impact and cost to implement LB 1033.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the following fiscal impact to the Highway Allocation Fund as a result of LB 1033:

FY12-13:	\$ 0
FY13-14:	(\$ 39,000)
FY14-15:	(\$ 40,000)

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

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE 1/31/12	PHONE 471-2526
COMMENTS			
DEPARTMENT OF REVENUE: Agency's estimate of impact appears to be reasonable.			

