

Revision: 00

## FISCAL NOT

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *								
	FY 2012-13 FY 2013-14							
	EXPENDITURES REVENUE EXPENDITURES REVENU							
GENERAL FUNDS		\$ 2,100,000		\$ 2,200,000				
CASH FUNDS		(\$ 2,100,000)		(\$ 2,200,000)				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS		\$0		\$0				

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

LB 1114 amends Nebraska Revised Statutes dealing with revenue and taxation.

The bill amends Section 13-2814 to eliminate the 3% administrative fee kept by the Department of Revenue for sales and use tax collections and also eliminates the provision that the receipts from that administrative fee are to be deposited in the Municipal Equalization Fund (MEF).

Section 77-27,139.01 is amended to provide that the MEF only applies to second class cities and villages. Current language refers to "incorporated cities."

Section 77-27,139.02 is amended to reduce the number of population groupings for municipalities from three to two for purposes of the MEF aid formula. The "municipalities with a population of 5,000 inhabitants or more" grouping is eliminated. This is consistent with the aid formula only applying to second class cities and villages.

The bill also amends Section 77-27,144 to eliminate the 3% deduction from sales and use taxes that is remitted to cities that now goes to the Municipal Equalization Fund. This is consistent with the change to Section 13-2814.

The net effect of these changes is to eliminate cities of the metropolitan class, primary class, and first class from eligibility for MEF; eliminates those same cities from the average property tax levy calculation for purposes of the formula; gives those cities with the local option sales tax what amounts to a 3% increase in their sales tax collections; and makes the insurance premium tax the only funding for MEF.

The bill has an operative date of July 1, 2012.

The Department of Revenue indicates that the bill will reduce the amount available for distribution to second class cities and villages through MEF. Excess funds compared to eligible aid to second class cities and villages will increase revenue to the General Fund by \$2.1 million in FY2012-13, \$2.2 million in FY2013-14, and \$2.3 million in FY2014-15.

LB 1114 Changes for Current Statute:				
	FY2012-13:	FY2013-14:	FY2014-15:	
Change in MEF Aid:	(\$ 12,100,000)	(\$ 12,500,000)	(\$ 12,900,000)	
Transfer from MEF Cash Fund to General Fund:	\$ 2,100,000	\$ 2,200,000	\$ 2,300,000	
Increase in City Sales Tax via Admin. Fee:	\$ 10,000,000	\$ 10,300,000	\$ 10,600,000	
Net Change:	\$ 0	\$ 0	\$ 0	

The Department estimates the cost to implement the provisions of LB 1114 to be minimal/

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

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Fiscal Note

		State Agency	Estimate	les "	1012	
State Agency Name: Department of	of Revenue			LEGISLATIVE FIR	Date Due LFA:	2/21/12
Approved by: Douglas Ewald		Date Prepared:	2/16/12	VEFIO	Phone: 471-5700	
	FY 2012	2-2013	FY 20	13-2014	¥ FY 20	14-2015
	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue	Expenditures	Revenue
General Funds	1	\$ 2,100,000		\$ 2,200,000		\$ 2,300,000
Cash Funds		(\$ 2,100,000)		(\$ 2,200,000)		(\$ 2,300,000)
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0	12-	\$ 0

LB 1114 eliminates state equalization aid for metropolitan, primary and first class cities and changes the formula used to calculate municipal aid by removing metropolitan, primary and first class cities from the average property tax levy calculation. It eliminates the 3% administrative fee deducted from local option sales tax receipts of counties and municipalities, which is currently deposited in the Municipal Equalization Fund (MEF). MEF will continue to receive 30% of insurance premium tax revenues.

The bill will reduce the amount available for distribution to second class municipalities and villages through MEF and will increase amounts retained by all municipalities that have a local option sales tax by eliminating the administrative fee on the collection of local option sales tax. Excess funds compared to eligible aid to second class municipalities and villages will increase revenue to the General Fund by \$2.1 million in FY 2012-13, \$2.2 million in FY 2013-14 and \$2.3 million in FY 2013-14. See chart below for more detail.

Change from Current							
FY 2012-13 FY 2013-14 FY 201							
Change in MEF Aid	(\$ 12,100,000)	(\$ 12,500,000)	(\$ 12,900,000)				
Transfer from MEF Cash Fund to GF	\$ 2,100,000	\$ 2,200,000	\$ 2,300,000				
Increase in City Sales Tax via Admin Fee	\$ 10,000,000	\$ 10,300,000	\$ 10,600,000				
Net Change	\$ 0	\$ 0	\$ 0				

There will be no costs to the Department to implement this bill.

The operative date for this bill is July 1, 2012.

	Maj	or Objects of I	xpendit	ure			
Class Code	Classification Title	12-13 FTE	13-14 <u>FTE</u>	14-15 FTE	12-13 Expenditures	13-14 Expenditures	14-15 Expenditures
Operating Costs							
Capital OutlayAid							
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