Doug Gibbs February 23, 2011 471-0051

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

	ESTIMATE OF FIS	SCAL IMPACT – STAT	E AGENCIES *		
	FY 2011-12 FY 2012-13				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS		See Below		See Below	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS			-		
TOTAL FUNDS		See Below		See Below	

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

LB 682 creates the Major Gas, Water, and Sewer Infrastructure Improvement and Replacement Assistance Act.

The bill provides that a municipality, natural gas utilities, and water utilities may apply for state assistance for combined sewer overflow improvement projects, and natural gas and water infrastructure replacement projects.

State assistance may be used for financing the construction, acquisition, substantial reconstruction, expansion, operation, improvement, or equipping of sewer, natural gas, and water cast iron infrastructure facilities.

State assistance is defined as the amount of state sales tax revenue collected by municipalities on the increase in monthly sewer use fees attributable to a combined sewer overflow project and from natural gas and water utilities on the increase in monthly charges collected for infrastructure replacement after July 1, 2013.

LB 682 defines a combined sewer overflow project as a municipal project to reduce overflows from a combined sewer system pursuant to a long-term control plan approved by the Department of Environmental Quality. Natural gas and water infrastructure replacement project means any project that is constructed or installed to redevelop or replace existing cast iron main piping, service piping connected to cast iron main piping, and related facilities.

The bill creates an application and approval process; a three-member board to review and approve applications; an audit process to be conducted by the Tax Commissioner; an annual report to the Legislature requirement; and gives the Department of Revenue rule and regulation authority.

The bill creates the Major Gas, Water, and Sewer Infrastructure Improvement and Replacement Fund. Upon certification by the Tax Commissioner of the state sales tax revenues collected by municipalities, natural gas utilities, and water utilities, the State Treasurer is to transfer the amount certified from the General Fund to the fund created by LB 682. The board is then to distribute from this fund to municipalities, natural gas utilities, and water utilities that have approved applications the lesser amount of either the total cost of the project or the total state sales tax collected by the municipality, natural gas utility, or water utility.

The Legislative Fiscal Office estimates the following fiscal impact as a result of LB 682:

	Sewer Overflow:	<u>Gas & Water Infrastructure:</u>	<u>l otal:</u>
FY2011-12:	\$ 0	\$ 0	\$ 0
FY2012-13;	\$ 0	\$ 0	\$ 0
FY2013-14:	(\$2,651,000)	(\$19,992,000)	(\$22,643,000)
FY2014-15:	(\$3,396,000	(\$23,222,000)	(\$26,618,000)

The Department of Revenue estimates the following fiscal impact as a result of LB 682:

	Sewer Overflow:	Gas & Water Infrastructure:	<u>Total:</u>
FY2011-12:	\$ 0	\$ 0	\$ 0
FY2012-13:	\$ 0	\$ 0	\$ 0
FY2013-14:	(\$4,103,000)	(\$19,992,000)	(\$24,095,000)
FY2014-15:	(\$4,766,000)	(\$23,222,000)	(\$27,988,000)

LB 682 Fiscal Note Page 2

We disagree with the Department regarding the fiscal impact of the combined sewer overflow portion of LB 682 and agree with the Department on the fiscal impact of the Gas and Water Infrastructure portion.

In regards to the combined sewer overflow, we are aware of only two projects in the state and believe the amount currently being charged for these projects and projected charges and revenue from those projects to be somewhat lower then that estimated by the Department.

As to the gas and water infrastructure charges, given how broadly the bill is written in terms of projects that qualify it appears that all replacement or redevelopment projects qualify and apply to more than just piping replacement but include other facilities and equipment as part of the project. Because these projects would apply to more than just piping replacement the cost of the project would be greater as would be the charges and therefore, the revenue. Given the broad application and statewide applicability, we believe the Department's estimate to be reasonable.

The Department of Revenue estimates the cost to implement LB 682 to be minimal.

There is no basis to disagree with the Department's estimate of cost.

LB 682 does not specify which state agency will support the board created by the bill. Given the duties placed upon the board by LB 682 some level of support will probably be necessary and some cost incurred but since no agency is specified, we are unable to determine the cost.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY Lyn Heaton DATE 2/23/11 PHONE 471-2526 COMMENTS

DEPT. OF REVENUE - No basis upon which to disagree.

ENVIRONMENTAL QUALITY - It is unclear which state agency will provide the staffing and administrative support to the board. DEQ will incur some expenses in providing technical assistance and director time.

RECEIVED

FEB 1 6 2011

LB 682	LEGISLA	TOTAL FESCAL			Fiscal Note	2011
		State Agency	Estimate			
State Agency Name: Department of	of Revenue	•			Date Due LFA:	1/26/2011
Approved by: Douglas Ewald		Date Prepared:	2/11/2011		Phone: 471-5700	
	FY 2011-2	012	FY 201	2-2013	FY 20	13-2014
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	1			l		(\$24,095,000)
Cash Funds			<u> </u>	_		
Federal Funds						
Other Funds					<u> </u>	
Total Funds						(\$24,095,000)

LB 682 authorizes a municipality, natural gas utility, or water utility to apply for state assistance for sewer improvement projects and gas and water infrastructure replacement occurring after July 1, 2013. State assistance is limited to state sales tax receipts on the increase in monthly fees related to sewer improvement projects and gas and water infrastructure replacement occurring after July 1, 2013.

State assistance can be used to pay debt used to acquire, construct, improve, and equip facilities related to combined sewer overflow projects, natural gas and water facilities, or any facility constructed or installed to redevelop or replace existing cast iron main piping, service piping connected to cast iron main piping, and related facilities.

LB 682 is expected to have the following impact on the General Fund:

Fiscal Year	Sewer Overflow	Gas and Water	Total
		Infrastructure	
2011-12	\$0	\$0	\$0
2012-13	\$0	\$0	\$0
2013-14	(\$4,103,000)	(\$19,992,000)	(\$24,095,000)
2014-15	(\$4,766,000)	(\$23,222,000)	(\$27,988,000)

Departmental cost to implement LB 682 is expected to be minimal.

Major Objects of Expenditure							
Class Code	Classification Title	11-12 FTE	12-13 FTE	13-14 FTE	11-12 Expenditures	12-13 Expenditures	13-14 Expenditures
				-			*
			L				
Capital Outlay					0	ļ <u> </u>	
Aid							ļ
Capital Improvements	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,						
Total.							

Page 1 of 1

FISCAL NOTE LB682 Environmental Quality

JAN 3 1	2011
LEGISLATIVE	1100

Prepared By	Lamberson, Thomas
Date Prepared	1/27/2011
Prepared Phone	402-471-4235

Estimate Provided By State Agency or Political Subdivision

	FY 201	FY 2011-2012		2-2013
	Expenditures	Revenue	Expenditures	Revenue
General Funds				
Cash Funds				
Federal Funds				
Other Funds				
Total Funds				

Explanation of Estimate:

For purposes of this fiscal note, the department assumed that LB682 will be administered by the Department of Revenue, although Section 8 states that the Board shall distribute funds.

There is no way to estimate the impact of LB682, because there is no way to determine the number of applications that might be received. It is assumed the department staff would review applications, particularly applications for combined sewer overflow projects, and provide expertise to the Board. In addition the Director would be required to spend time on Board activities.

Major Objects of Expenditure

	Number	Number of Positions		FY 2012-2013	
Position Title	FY 2011-2012	FY 2012-2013	Expenditures	Expenditures	
		Benefits			
		Operating			
		Travel			
		Capital outlay			
		Aid			
		Capital improvements			
		Total			