

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 913 would create the Facilitating Business Rapid Response to State Declared Disasters Act.

“Declared state disaster or emergency” is defined to mean a disaster or emergency event for which a Governor’s state of emergency proclamation has been issued or that the President of the U.S. has declared to be a major disaster or emergency.

“Infrastructure” means property and equipment owned or used by a public utility, communications network, broadband and Internet service provider, cable and video service provider, gas distribution system, or water pipeline that provides service to more than one customer or person, including related support facilities and includes real and personal property such as buildings, power lines, cable lines, poles, communication lines, pipes, structures, and equipment.

“Out-of-state business” is defined as a business entity that does not have a presence in Nebraska; does not conduct business in Nebraska; has no registrations, tax filings, or nexus in Nebraska before the declared state disaster or emergency; and whose assistance in repairing, renovating, installing, or building infrastructure related to a declared state disaster or emergency is requested by the state, a county, city, village, or other political subdivision of Nebraska, or a registered business that owns or uses infrastructure.

LB 913 provides that an out-of-state business or its out-of-state employees providing assistance in Nebraska related to a declared disaster or emergency during a disaster period would not have to do the following:

- Register with the Secretary of State;
- Be subject to withholding or income tax registration, filing, or remitting requirements; and
- Be subject to use tax if equipment is used or consumed during the disaster period and if it does not remain in Nebraska after such period;
- Be subject to state or local income or withholding tax or fee;
- Be considered to have established residency or a presence in the state.

An out-of-state business or out-of-state employees who remain in Nebraska after the conclusion of the disaster period would then be subject to state and local income taxes or tax withholding.

An out-of-state business is required to provide notification to the Department of Revenue within 10 days of entry into Nebraska that the business is in Nebraska for purposes of responding to the declared disaster or emergency.

The exemptions provided for in LB 913 shall not be granted to an out-of-state business performing work pursuant to a request for bid or request for proposal by a state agency or political subdivision.

The Department of Revenue indicates that they are unable to determine the fiscal impact of LB 913 due to the unpredictable nature of future natural disasters or when a declared disaster may occur. The Federal Emergency Management Agency (FEMA) reported that public assistance for the repair of public utilities in natural disasters has ranged from \$3.3 million in 2013 to \$38.8 million in 2014 and \$13.8 million in 2015.

The Department indicates the cost to implement the provisions of LB 913 will be minimal.

We agree with the Department of Revenue’s estimate of cost and concur with the Department’s rationale on the inability to determine future fiscal impact and note that there could be an unspecified loss of General Fund revenue.

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 913

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Labor

Prepared by: ⁽³⁾ Kim Schreiner Date Prepared: ⁽⁴⁾ 1/20/2016 Phone: ⁽⁵⁾ 402-471-2492

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: There will be no fiscal impact on the Nebraska Department of Labor.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: Approved by: Tony Fulton Date Prepared: 2/4/2016 Phone: 471-5896

	FY 2016-2017		FY 2017-2018		FY 2018-2019	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		See below		See below		See below
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		See below		See below		See below

LB 913 proposes the creation of the Facilitating Business Rapid Response to State Declared Disasters Act.

The bill would provide that an out-of-state business which conducts operations within Nebraska for the purpose of assisting in repairing, renovating, installing, or building infrastructure related to a declared disaster or emergency during a disaster period would not:

- (A) Have to register with the Secretary of State;
- (B) Be subject to withholding or income tax registration, filing, or remitting requirements; and
- (C) Be subject to use tax if equipment is used or consumed during the disaster period and if it does not remain in the state after the disaster period.

In addition, it states that no out-of-state employee of the out-of-state business would:

- (A) Be considered to have established residency or a presence in Nebraska; and
- (B) Neither that person, nor their employer, would be subject to state or local income taxes or tax withholdings.

Section 3 of the bill provides an exception, that an out-of-state business or out-of-state employee that remains in the state of Nebraska after the conclusion of the disaster period would thereafter be subject to state or local income taxes or tax withholdings, including the aforementioned requirements that were otherwise suspended during the disaster period.

The bill states that the out-of-state business, and any of its affiliates, must provide notice to the Nebraska Department of Revenue within ten days after entering the state during a disaster period. Section 5 does not authorize the grant of any exemptions to the out-of-state business pursuant to a proposal or bid request.

The fiscal impact of LB 913 is indeterminable due to uncertainty with respect to the prevalence of future natural disasters. The Federal Emergency Management Agency (FEMA) reports that federal public assistance for the repair of public utilities damaged in natural disasters has ranged from \$3.3 million in 2013, \$38.8 million in 2014, and \$13.8 million in 2015.

Departmental cost to implement LB 913 is expected to be minimal.

Major Objects of Expenditure

Class Code	Classification Title	16-17	17-18	18-19	16-17	17-18	18-19
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Aid.....						
	Capital Improvements.....						
	Total.....						

Please complete ALL (5) blanks in the first three lines.

2016

LB⁽¹⁾ 913

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Secretary of State

Prepared by: ⁽³⁾ Joyce Woofter

Date Prepared: ⁽⁴⁾ 1/19/2016

Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 913 exempts out-of-state businesses from registering with the Secretary of State if they are doing repair work related to a declared state disaster or emergency. While there is an inherent loss of revenue to the Secretary of State (both the Corporation Cash Fund and the state General Fund) for filing fees, the timing of any future disaster declaration and the scope of any disaster-related work is unknown and therefore the loss of revenue cannot be estimated.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____