

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$485,618		\$528,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$485,618		\$528,000	

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

LB 242 adopts the Infrastructure Improvement and Replacement Assistance Act.

The act requires the state to pay to each political subdivision, sewer utility, or water utility a percentage of state sales tax imposed on sewer and potable water fees collected by the political subdivision or utility. The turnback rate is 2% from July 1, 2019 to June 30, 2021; 3% from July 1, 2021 to June 30, 2023; and 4% on or after July 1, 2023.

The funds received by the political subdivision or utility must be used to pay for infrastructure improvements related to sewer and water infrastructure facilities; pay for redevelopment and replacement of obsolete water or sewer facilities; or repay bonds issues and pledged for such work.

The Department of Revenue must adopt and promulgate rules and regulations to carry out the act.

Revenue:

Political subdivisions or utilities would see an increase in revenue under the bill. For example, the City of Lincoln estimates revenue of \$87,000 in FY 20 and \$91,000 in FY 21.

We disagree with the Metropolitan Utilities District estimate of revenue because it appears to be based on a percentage of total sales subject to sales tax, rather than a percentage of sales tax imposed.

Expenditures:

The Department of Revenue estimates General Fund expenditures as follows:

Fiscal Year	Sewer and Water Expenditure	Sales Tax	Turnback Percentage	Increase in General Fund Expenditure
2019-20	\$417,205,000	\$23,149,000	2%	\$463,000
2020-21	\$476,113,000	\$26,383,000	2%	\$528,000
2021-22	\$500,934,000	\$27,793,000	3%	\$834,000
2022-23	\$529,407,000	\$29,447,000	3%	\$883,000
2023-24	\$529,407,000	\$31,339,000	4%	\$1,254,000

The department estimates a one-time charge of \$22,618 to OCIO for web development costs to implement the bill.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 242	AM:	AGENCY/POLT. SUB: City of Lincoln	
REVIEWED BY: Lee Will		DATE: 1/23/2019	PHONE: (402) 471-4175
COMMENTS: No basis to disagree with the City of Lincoln's assessment of fiscal impact. The General Fund would also be reduced by the amount of revenue shown by the City to reflect the state payment for turning back two percent of the sales tax imposed on sewer and potable water fees collected by political subdivisions or utilities.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 242	AM:	AGENCY/POLT. SUB: Metropolitan Utilities District	
REVIEWED BY: Lee Will		DATE: 1/23/2019	PHONE: (402) 471-4175
COMMENTS: MUD's assessment of fiscal impact seems reasonable based on the assumptions used.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 02/19/2019				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 02/18/2019						
	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$485,618	\$0	\$528,000	\$0	\$834,000	\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$485,618	\$0	\$528,000	\$0	\$834,000	\$0

LB 242 would adopt the Infrastructure Improvement and Replacement Assistance Act. Sections 2 & 3 state legislative findings that sewer and water utilities face a need to construct, upgrade, redevelop, and replace sewer and water infrastructure and that it is in the public interest to assist municipalities in this endeavor.

Section 4 provides that the State will assist political subdivision and sewer and water utilities by turning back a percentage of state sales tax imposed on sewer and potable water fees collected by political subdivisions and utilities. The percentages are as follows:

- Sales tax imposed from July 1, 2019 – June 30, 2021: 2%
- Sales tax imposed from July 1, 2021 – June 30, 2023: 3%
- Sales tax imposed on or after July 1, 2023: 4%

This bill carries the E-Clause.

Using 2017 data, the Department assumes municipal sewer and water serves approximately 87% of the Nebraska population. This translates to roughly 732,000 housing units with the average annual expenditure for sewer and water services estimated to be \$580. This equates to \$424,560,000 in total taxable expenditures. The following schedule shows the fiscal impact to the General Fund revenues.

Fiscal Year	Sewer and Water Expenditure	Sales Tax	Turnback Percentage	Increase in General Fund Expenditure
2019-20	\$ 417,205,000	\$ 23,149,000	2%	\$ 463,000
2020-21	\$ 476,113,000	\$ 26,383,000	2%	\$ 528,000
2021-22	\$ 500,934,000	\$ 27,793,000	3%	\$ 834,000
2022-23	\$ 529,407,000	\$ 29,447,000	3%	\$ 883,000
2023-24	\$ 529,407,000	\$ 31,339,000	4%	\$ 1,254,000

It is estimated that a one-time cost of \$22,618 for OCIO web development will be needed to implement this bill.

Major Objects of Expenditure								
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22	
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures	
	Benefits.....							
	Operating Costs.....				\$22,618	\$0	\$0	
	Travel.....							
	Capital Outlay.....							
	Capital Improvements.....							
	Total.....				\$22,618	\$0	\$0	

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2019

LB⁽¹⁾ 242

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ Brandon Kauffman Date Prepared: ⁽⁴⁾ 1/18/19 Phone: ⁽⁵⁾ 402-441-7412

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	\$87,000	_____	\$91,000
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Utilizing two percent of funds remitted back to the state for water and wastewater sales tax it would generate approximately \$87,000 and \$91,000 for the two fiscal years.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====

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2019

LB⁽¹⁾ 242

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Metropolitan Utilities District

Prepared by: ⁽³⁾ Joseph Schaffart Date Prepared: ⁽⁴⁾ 1/22/2019 Phone: ⁽⁵⁾ 402-504-7111

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	\$2,369,407	_____	\$2,506,386
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	\$2,369,407	=====	\$2,506,386

Explanation of Estimate:

The amounts noted represent estimated savings or return of sales tax remitted associated with the sale of potable water for FY 2019-20 and FY 2020-21. The numbers are derived based on the assumption that the state sales tax rate would be reduced from its current level of 5.5% to 3.5%.

It should be noted that the Metropolitan Utilities District serves as a billing agent for Sewer usage fees for the municipalities in our service area, and remits the associated sales tax accordingly. The numbers presented above do not reflect the reduction in sales tax related to sewer usage fees, as we would not be the beneficiary of a sales tax rate reduction for these amounts remitted.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services: N/A

POSITION TITLE	NUMBER OF POSITIONS		2019-20	2020-21
	19-20	20-21	EXPENDITURES	EXPENDITURES
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____