

PREPARED BY: John Wiemer
 DATE PREPARED: February 12, 2024
 PHONE: 402-471-0051

LB 1047

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$54,600			
CASH FUNDS		\$60,600		\$81,600
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$54,600	\$60,600		\$81,600

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

LB 1047 would add the definition of biomass feedstock to section 66-482.

The bill would retain the excise tax of 1.25 cents per gallon on ethanol producers. The bill would make changes so that the tax would be on gasoline, natural gasoline, or any other gasoline component, including, but not limited to, any gasoline component produced from biomass feedstock, purchased for use as a denaturant by the producer at an ethanol facility and 2% of agricultural ethyl alcohol sold that is unfit for beverage purposes and does not meet the American Society for Testing and Materials D4806 standards. The tax revenue is remitted to the State Treasurer for credit to the Agricultural Alcohol Fuel Tax Fund.

The bill would make changes to section 66-489(4) so that in addition to natural gasoline purchased for use as a denaturant by a producer at an ethanol facility being exempt from the specified taxes in the bill, gasoline, or any other gasoline component, including but not limited to, any gasoline component produced from biomass feedstock purchased for use as a denaturant by a producer at an ethanol facility would also have that exemption.

The bill would become operative on August 1, 2024.

After consideration of the estimates to the increase in the Agricultural Alcohol Fuel Tax Fund as a result of the bill by the Department of Revenue (DOR) and the Nebraska Ethanol Board, we have estimated the increase to this Cash Fund by averaging the estimates of the two agencies. The increase to this Cash Fund in FY25 is estimated to be \$60,600 and \$81,600 in FY26.

The DOR also estimates a cost of \$54,600 in FY25 to update the Motor Fuels system as a result of this bill, which would cover contracted work of an Application Developer/Lead to implement these updates. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1047	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Jacob Leaver	DATE: 2/9/2024	PHONE: (402) 471-4173	
COMMENTS: Concur with the Department of Revenue's estimated fiscal impact as a result of LB 1047.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1047	AM:	AGENCY/POLT. SUB: Nebraska Ethanol Board	
REVIEWED BY: Jacob Leaver	DATE: 1/16/2024	PHONE: (402) 471-4173	
COMMENTS: Concur with the Nebraska Ethanol Board's estimated fiscal impact to the agency as a result of LB 1047.			

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2024

LB⁽¹⁾ 1047

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Ethanol Board (Agency #60)

Prepared by: ⁽³⁾ Reid Wagner Date Prepared: ⁽⁴⁾ 1/12/2024 Phone: ⁽⁵⁾ (402) 471-2941

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	\$55,200	_____	\$60,200
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	\$55,200	=====	\$60,200

Explanation of Estimate:

Nebraska Ethanol Board (NEB) revenue has recently decreased due to select Nebraska ethanol producers beginning to utilize denaturants other than the common product class of 'natural gasoline'. Additionally, select Nebraska ethanol producers have increased sales of ethanol that no longer meet the standards outlined in ASTM D4806, which includes the sale of exported ethanol that no longer needs to be denatured onsite due to federal regulatory changes.

As written, LB 1047 creates a framework by which the Agricultural Alcohol Fuel Tax Fund may be assessed on the purchase of new denaturants other than the common product class of 'natural gasoline', and the sale of ethanol that no longer meet the standards outlined in ASTM D4806. Note that the provisions of LB 1047 do not change the effective rate of the assessment.

The revenue impacts of LB 1047 were estimated through an analysis incorporating motor fuels consumption trends in the U.S., an outlook on ethanol export demand from the U.S., and Nebraska ethanol production data gathered by the agency.

First, according to the U.S. Energy Information Administration, the total U.S. motor fuels consumption across both motor gasoline and ethanol has been similar across recent fiscal years (staying within 1% by volume year-over-year). Second, several key export markets serviced by Nebraska ethanol producers have implemented favorable biofuels policies that will increase ethanol demand. These two trends signal that the overarching fuels markets will remain consistent, while necessitating greater volumes of exported ethanol.

Nebraska ethanol production data was then utilized to project FY24/25 and FY25/26 revenue following the implementation of LB 1047. The changes outlined in LB 1047 return NEB revenues to an amount similar to those collected in FY21/22.

With an effective date of August 1, 2024, NEB revenue will increase by approximately \$55,200 in FY24/25 (relative to the projected revenue of FY23/24) and \$60,200 in FY25/26 (relative to the projected revenue of FY23/24).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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 Prepared: 02/09/2024	Date Due LFO:
Approved by: James R. Kamm		Phone: 471-5896

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$54,600					
Cash Funds		\$66,000		\$103,000		\$ 117,000
Federal Funds						
Other Funds						
Total Funds	\$54,600	\$66,000		\$103,000		\$ 117,000

LB 1047 expands a specific excise tax imposed on each producer of ethanol that was previously limited to natural gasoline purchased for use as a denaturant. This tax is deposited into the Agricultural Alcohol Fuel Tax Fund. The one and one-quarter cents per gallon tax will be due on 1) "gasoline", "natural gasoline," and "any other gasoline components including, but not limited to, any gasoline component produced biomass feedstock purchased for use as a denaturant by the producer at an ethanol facility; and 2) "two percent of agricultural ethyl alcohol sold that is unfit for beverage purposes and does not meet the American Society for Testing and Materials D4806 standards".

LB 1047 also expands the exemption from motor fuels tax on natural gasoline purchased for use as a denaturant by a producer at an ethanol facility to also include gasoline, or any other gasoline component, inducing, but not limited to, any gasoline component produced from biomass feedstock when that product is purchased for use as a denaturant.

LB 1047 adds a definition for "biomass feedstock" to Neb. Rev. Stat. § 66-482 and reorganizes and clarifies other definitions but without changing their meaning.

LB 1047 eliminates obsolete provisions in Neb. Rev. Stat. § 66-489 (2)(b) that were effective in fiscal years 2011-12 and prior fiscal years, and it outright repeals § 66-4,146.01, which imposed a floor-stocks tax on agricultural ethyl alcohol on January 1, 2005. Finally, it harmonizes provision by cross-referencing this Act to the Ethanol Act and the Renewable Chemical Production Tax Credit Act.

Department of Revenue (DOR) used annual ethanol production capacity in Nebraska and estimated that LB 1047 will increase the Agricultural Alcohol Fuel Tax Fund as below:

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>
Benefits.....							
Operating Costs.....					\$54,600		
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....					\$54,600		

Fiscal Year	Agricultural Alcohol Fuel Tax Fund
FY2024-25	\$ 66,000
FY2025-26	\$ 103,000
FY2026-27	\$ 117,000
FY2027-28	\$ 132,000

LB 1047 is estimated to require \$54,600 in the first year to update the Motor Fuels system. This cost covers the Application Developer/Lead position responsible for implementing the changes.

The operative date for this bill is August 1, 2024.

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2024

LB⁽¹⁾ 1047

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 2/8/2024 Phone: ⁽⁵⁾ 402-479-4691

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 1047 as proposed would exempt gasoline and any other gasoline component, including, but not limited to, any gasoline component produced from biomass feedstock, for the use as a denaturant by a producer at an ethanol facility from motor fuels tax imposed by Neb. Rev. Stat. § 66-489(1) as well as the tax imposed pursuant to §66-489.02, §66-4,140, §66-4,145, and §66-4,146.

No fiscal impact is anticipated to the State Highway Trust Fund based on calculations from the Department of Revenue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____