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PREPARED BY: Jeanne Glenn
DATE PREPARED: February 22, 2011
PHONE: 471-0056

LB 627

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	See below
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

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

LB 627 would establish the Remanufacturing and Job Creation Act. An income tax credit would be given to eligible taxpayers, nonprofit organizations or governmental unit for each ton of material recycle or composted in Nebraska in excess of the amount recycled or composted in a base year. The per-ton credit would be based upon the statewide average tipping fee.

The Department of Environmental Quality (DEQ) would be authorized to carry out the following: 1) Determine a statewide average tipping fee; 2) accept applications for the program; 3) determine a base year tonnage amount for each applicant; 4) authorize tax credits within program limits; and 5) certify to the applicant and the Department of Revenue the amount of tentative tax credits reserved for the applicant.

The Recovered Resource Income Tax Credit Fund would be established. Income tax credits would be allocated based upon the amount available in the fund. The Tax Commissioner would annually certify the amount of tax credits used and funds would be transferred from the Recovered Resource Income Tax Credit Fund to the General Fund. LB 627 provides that 10% of the funds available in the Waste Reduction and Recycling Cash Fund and 10% of the funds available in the Litter Reduction and Recycling Incentive Fund would be used to provide funding for income tax credits. Assuming that the intent of LB 627 is to transfer 10% of the fee collection in each fund to the Recovered Resource Income Tax Credit Fund, approximately \$500,000 to \$550,000 would be available annually for the tax credit program.

The Department of Environmental Quality estimates that a .50 FTE and associated operating costs would result in \$94,681 in expenditures in FY 11-12 and \$47,792 in ongoing expenditures beginning in FY12-13. The FY11-12 costs are higher due to the need to establish the program, gather information to determine an average statewide tipping fee and establish base year tonnage amounts for program applicants. Because LB 627 does not authorize DEQ to pay for program expenses from a cash fund, it is estimated that costs would come from the General Fund.

The Department of Revenue would incur one-time costs to revise the individual and corporate income tax tracking systems. The costs would be \$65,600 General Funds in FY11-12. Expenses in subsequent years are estimated to be minimal.

The General Fund impact of income tax credits claimed would be offset by the transfer to the General Fund from the Recovered Resource Income Tax Credit Fund. Because the sections of LB 627 governing income tax credits would not take effect until January 1, 2012, tax credits and transfers from the Recovered Resource Income Tax Credit Fund are estimated to begin in 2013.

There would be a lower amount of grants funded from the Litter Reduction and Recycling Incentive Fund and the Waste Reduction and Recycling Cash Fund as a result of the 10% set-aside for income tax credits under LB 627.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Cindy Miserez	DATE	2/22/11	PHONE	471-2526
COMMENTS					
ENVIRONMENTAL QUALITY: I have no basis to disagree with DEQ's statement.					
DEPARTMENT OF REVENUE: I have no basis to disagree with Department of Revenue's statement.					

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FISCAL NOTE LB627

Environmental Quality

FEB 22 2011

LEGISLATIVE FISCAL

Prepared By	Lamberson, Thomas
Date Prepared	1/24/2011
Prepared Phone	402-471-4235

Estimate Provided By State Agency or Political Subdivision

	FY 2011-2012		FY 2012-2013	
	Expenditures	Revenue	Expenditures	Revenue
General Funds	94,681		47,792	
Cash Funds				
Federal Funds				
Other Funds				
Total Funds	94,681		47,792	

Explanation of Estimate:

The DEQ estimates it will take 1.0 FTE the first year, and 0.5 FTE the remaining years until December 31, 2021 to implement the program described in this proposal. It is assumed the FTE and other administrative expenses will be funded by general funds since there is no mechanism to fund DEQ expenses in the proposal.

Section 2 of LB 627 requires the DEQ to annually determine a statewide average tipping fee for solid waste disposed. DEQ assumes it would need to collect information on the total tonnage and fees for solid waste disposed of in the state in the prior calendar year at each of its permitted disposal areas.

Section 4 of LB 627 requires the DEQ to determine a base-year tonnage amount, set the tax-year tonnage amount, determine the tentative tax credit, and authorize a tax credit to applicants. Performance of these activities will require the DEQ to review records to verify the validity of each the tax credits claimed by each of the applicants. Some level of on-site auditing or inspection may be necessary for larger applications.

Section 13 of LB 627 allocates ten percent of the funds in the Nebraska Litter Reduction and Recycling Fund on an annual basis for use to fund the tax credit provided for in the proposal. For purposes of this fiscal note, the DEQ assumes that the intent is that ten percent of the fee revenue deposited in the fund during one fiscal year would be allocated to fund the tax credit. Based on fee revenue from July 1, 2009 to June 30, 2010 the DEQ estimates approximately \$180,000 annually would be used from this fund for the tax credit.

Section 14 of LB 627 allocates ten percent of the funds in the Waste Reduction and Recycling Incentive fund on an annual basis for use to fund the tax credit provided for in the proposal. For purposes of this fiscal note the DEQ assumes that the intent is that ten percent of the fee revenue deposited in the fund during one fiscal year would be allocated to fund the tax credit. Based on fee revenue from July 1, 2009 to June 30, 2010 the DEQ estimates approximately \$347,000 annually would be used from this fund for the tax credit.

It is not clear how funds are transferred from either the Nebraska Litter Reduction and Recycling Fund or the Waste Reduction and Recycling Incentive Fund to the Recovered Resource Income Tax Credit Fund established by LB 627.

Any funding used for tax credits will reduce the amount available annually for grants from the Waste Reduction and Recycling Program and the Litter Reduction and Recycling Program.

Major Objects of Expenditure

Position Title	Number of Positions		FY 2011-2012	FY 2012-2013
	FY 2011-2012	FY 2012-2013	Expenditures	Expenditures
Environmental Quality Programs Specialist	1.0	0.5	36,793	18,397
			Benefits	26,972
			Operating	23,916
			Travel	2,000
			Capital outlay	5,000
			Aid	
			Capital improvements	
			Total	94,681
				47,792

