PREPARED BY: DATE PREPARED: PHONE:

Jeanne Glenn February 22, 2011 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 REVE							
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 DE	Ω's statement	
DEPARTMENT OF REVENUE: I have	Ũ		

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FISCAL NOTE LB627 Environmental Quality

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LEGISLAHIVE FISCAL

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

	Estimate Provided By	State Agency of Po	Sintical Subdivision		
	FY 2011-2012		FY 2012-2013		
	Expenditures	Revenue	Expenditures	Revenue	
General Funds	94,681		47,792		
Cash Funds					
Federal Funds					
Other Funds				in the second	
Total Funds	94,681		47,792		

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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 taxyear 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.

· · · · · · · · · · · · · · · · · · ·	Number of Positions		FY 2011-2012	FY 2012-2013 Expenditures	
Position Title	Position Title FY 2011-2012		Expenditures		
Environmental Quality Programs Specialist	1.0	0.5 36,793		18,397	
× i		Benefits	26,972	13,437	
		Operating	23,916	13,958	
		Travel	2,000	2,000	
		Capital outlay	5,000	0	
		Aid			
		Capital improvements			
		Total	94,681	47,792	

Major Objects of Expenditure

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LB 627

Fiscal Note 2011

State Agency Name: Department of	of Revenue				Date Due LFA:	2/1/2011
Approved by: Douglas Ewald		Date Prepared:	2/4/2011		Phone: 471-5700	
	FY 2011	-2012	FY 2012-2013 FY 2		FY 20	13-2014
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$65,600	(See Below)		(See Below)		(See Below
Cash Funds	(See Below)	(See Below)	(See Below)	(See Below)	(See Below)	(See Below
Federal Funds						
Other Funds						
Total Funds	\$65,600	(See Below)	(See Below)	(See Below)	(See Below)	(See Below

LB 627 adopts the Remanufacturing and Job Creation Act, authorizing the Department of Environmental Quality (DEQ) to issue refundable income tax credits for recovered resources. The tax credit is based on tons of waste materials and by-products recycled or composted, above the base year, into a usable commodity in Nebraska. The tax credit is transferrable and may be earned by any taxpayer, except for estates and trusts, nonprofit, or local governmental entity. An entity must file an application with DEQ. If approved, DEQ shall notify the Tax Commissioner of any tentative credits issued. The Tax Commissioner will certify to the State Treasurer the amount of credits used each year.

LB 627 directs annual transfers from the Nebraska Litter Reduction and Recycling Fund to a newly created Recovered Resource Income Tax Credit Fund equal to 10% of the funds available. Upon certification of the amount of tax credits used, the Treasurer will transfer this amount from the Cash Fund to the General Fund to cover the tax credits.

The operative date for the bill is January 1, 2012, and it terminates on December 31, 2021. LB 627 is expected to result in a transfer from the Nebraska Litter Reduction and Recycling Fund to the Recovered Resource Income Tax Credit Fund of \$49,000, \$50,000, and \$50,000 in FY2012-13 through FY2014-15, respectively. These amounts are transferred to the General Fund to be paid out in refunds in the same year. It is assumed that a refundable, transferable tax credit will use the entire amount available in the Recovered Resource Income Tax Credit Fund.

The Department will have one-time costs for mainframe programming of \$65,600 to update the individual and corporate income tax systems. Ongoing administration costs are expected to be minimal.

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<u>Class Code</u>	<u>Classification Title</u>	11-12 <u>FTE</u>	12-13 <u>FTE</u>	13-14 <u>FTE</u>	11-12 Expenditures	12-13 <u>Expenditures</u>	13-14 <u>Expenditures</u>
Benefits							
Operating Costs					\$65,600		
Travel							
Capital Improvements							
					\$65,600		

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