

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS		See below		See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

Nebraska currently levies a 5% tax on the average wholesale price of gasoline that is distributed 66% to the Department of Transportation, 17% to cities, and 17% to counties. LB 941 provides that the average wholesale price shall not be lower than \$2.44 and is operative on July 1, 2018. The first tax impact will occur on January 1, 2019 and will be based on the October 1, 2018 wholesale price.

The actual wholesale price used to set the tax rate for the period of January 1, 2018 to June 30, 2018 is \$1.737, however, the Department of Transportation (NDOT) is projecting the wholesale price will increase to \$1.80 in FY2018-19 and FY2019-20, which is 64 cents lower than the minimum price of \$2.44 as proposed by LB 941. A 64 cent increase in the wholesale price will translate into a 3.2 cent increase in the tax per gallon (64 cents X 5% tax rate). The impact on cities, counties and the Department of Transportation are estimated to be as follows.

**Impact on Cities and Counties**

The 3.2 cent increase in the wholesale tax rate is estimated to generate an additional \$38,400,000 on an **annual basis** based on the assumption that 1 cent of the fuel tax generates \$12,000,000. The cities share (17%) will be \$6,528,000, and the counties share (17%) will be \$6,528,000. The actual additional revenue received the first fiscal year will be lower than this annual figure due to the mid-fiscal year (January 1, 2019) tax rate change and assuming a two month lag in collections. This will reduce the FY18-19 revenue increase to approximately \$2,176,000 for cities and \$2,176,000 for counties. The cities and counties revenue will be deposited into the Highway Allocation Fund and distributed through the statutory formula.

**Impact on the Department of Transportation (NDOT)**

The department's share (66%) of the 3.2 cent wholesale tax increase is estimated to be \$25,344,000 annually. As mentioned previously, the actual additional revenue received the first fiscal year will be lower than this annual figure assuming a two month lag in collections from the January 1, 2019 tax increase. This will reduce the FY18-19 revenue increase from the wholesale tax increase to approximately \$8,448,000. Without a change in the Highway Cash Fund (HCF) appropriation this additional revenue will be offset by a decrease in the variable fuel tax, for a net revenue increase of close to zero.

If the intent is to have the Department of Transportation share in the wholesale fuel tax revenue increase the Highway Cash Fund appropriation will need to be increased via an A-bill equal to the estimated additional revenue each fiscal year from their share of the wholesale tax increase.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 941	AM:	AGENCY/POLT. SUB: Department of Transportation
REVIEWED BY: Lee Will	DATE: 02/15/2018	PHONE: <a href="tel:(402)471-4175">(402) 471-4175</a>
COMMENTS: Concur with Department of Transportation's assessment of fiscal impact. Concur with the Department's noted technical issue that would not allow for the wholesale gas tax price to be adjusted to the amount identified in the bill.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 941	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lee Will	DATE: 02/22/2018	PHONE: <a href="tel:(402)471-4175">(402) 471-4175</a>
COMMENTS: The Department of Revenue's assessment of fiscal impact is factored based on the bill passing after April 1, 2018, which would cause the setting of the wholesale price to \$2.44 beginning on January 1, 2019.  Under current law, the Department has indicated an anticipated increase in the wholesale gas tax rate on July 1, 2018 from 8.5¢ to 9.5¢ based on the projected price of gasoline in the State. This increase and the passage of LB 941 will require a reduction of the variable gas tax rate to offset at least a portion of this additional revenue projected for the Department of Transportation.		

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

2018

LB<sup>(1)</sup> 941

FISCAL NOTE

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

Prepared by: (3) Becky Fleming Date Prepared: (4) 2/12/18 Phone: (5) (402) 479-4692

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	1,782,415	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	1,782,415	=====	=====

**Explanation of Estimate:**

LB 941 changes the calculation of the gasoline tax by setting the floor for the average wholesale price. Beginning on and after July 1, 2018 the minimum average wholesale price shall be two dollars and forty-four cents. If this bill passes, it is estimated the new minimum average wholesale price will result in a gas tax increase by 1.2¢ beginning on July 1, 2018.

There is also a technical issue with the bill. Current statute reads the average wholesale price between two six-month periods shall be adjusted so that the increase/decrease in the tax provided does not exceed 1¢ per gallon. If this bill passes, the department cannot set the gas tax and comply with the provisions of the bill.

Anticipated wholesale tax for FY19 is 9.0¢. Using the new minimum average wholesale price, the wholesale tax would be 12.2¢, which represents a 3.2¢ increase. The impact of 3.2¢ increase would be an additional \$25,197,000 to the Department. To match current appropriations, the variable tax would decrease by 2¢. This would have a total net impact of \$1,782,415.

**Estimated revenue and tax rate under current law (FY18-19):**

Total	NDOT	Cities/Counties
\$396,525,506	\$269,811,085	\$126,714,421

**Estimated revenue and tax rate under LB941 wholesale price increased to \$2.444 and variable tax rate reduced by 2¢ (FY18-19):**

Total	NDOT	Cities/Counties
\$411,315,145	\$271,593,500	\$139,721,645

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2018-19	2019-20
	18-19	19-20	EXPENDITURES	EXPENDITURES
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____



