PREPARED BY: DATE PREPARED: PHONE: Mike Lovelace February 12, 2018 402-471-0050

**LB 941** 

Revision: 00

# **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	l <b>8-19</b>	FY 2019-20					
	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.

### ADMINSTRATIVE 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: (402) 471-4175

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.

#### ADMINSTRATIVE 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: (402) 471-4175

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.

<b>LB</b> (1)	941							FISCAL NOTE
State Ag	gency OR Political S	Nebraska Department of Transportation						
Prepare	ed by: (3) Becky	Fleming	Date	Prepared: (4)	2/12/1	8	Phone:	(5) (402) 479-4692
	E	STIMATE PROVII	DED BY S	TATE AGENCY	Y OR P	OLITICAL	L SUBDIVI	SION
		<u>FY</u> EXPENDITURES	2018-19	<u>REVENUE</u>	<u>F</u>	EXPENDIT		019-20 <u>REVENUE</u>
GENEI	RAL FUNDS				-			
CASH 1	FUNDS			1,782,415	_			
FEDER	RAL FUNDS				_			
OTHE	R FUNDS				_			
TOTA	L FUNDS		= <u></u>	1,782,415				
Beginr cents. increas	ning on and after If this bill passe se by 1.2¢ begin	s, it is estimated t ning on July 1, 20	minimum the new n 18.	average whole ninimum avera	lesale ր age wh	orice shall nolesale p	be two de rice will re	ollars and forty-four sult in a gas tax
month	periods shall be	al issue with the back adjusted so that bes, the departmen	the increa	ase/decrease i	in the t	ax provid	ed does n	
would \$25,19	be 12.2¢, which 97,000 to the Dep	tax for FY19 is 9.0 represents a 3.2¢ partment. To mat impact of \$1,782,	increase ch curren	. The impact	of 3.2	¢ increase	would be	
Estim	ated revenue and	tax rate under cur	rent law (I	FY18-19):				
<u>Total</u>		<u>NDOT</u>		Cities/Count	<u>cies</u>			
\$396,	525,506	\$269,811,085		\$126,714,42	<u>'</u> 1			
	ated revenue and ed by 2¢ (FY18-19	tax rate under LB9 ):	41 wholes	sale price increa	ased to	\$ <b>2.444</b> an	d variable	tax rate
Total		NDOT		Cities/Count	ties			
	315,145	\$271,593,500		\$139,721,64				
Person	al Sarvicas	BREAKDOV	VN BY MA	AJOR OBJECTS	S OF EX	XPENDIT	URE	
Personal Services:  N POSITION TITLE		UMBER C 18-19	UMBER OF POSITIONS 18-19 19-20		2018-1 EXPENDIT		2019-20 EXPENDITURES	
Renefit	s				-			
	ing				-			

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## LB 941 Fiscal Note 2018

		State Agency	Estimate			
State Agency Name: Department	t of Revenue				Date Due LFA:	2/26/2018
Approved by: Tony Fulton		Date Prepared:	2/16/2018		Phone: 471-5896	
FY 201		<u>8-2019</u>	FY 2019-2020		FY 2020-2021	
	<u>Expenditures</u>	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds		\$5,085,000		\$5,238,000	<u>-</u>	\$5,397,000
Federal Funds						
Other Funds						
Total Funds		\$5,085,000		\$5,238,000	<u>-</u>	\$5,397,000
					'	

This bill provides a "floor" to the amount used for the average wholesale price of gasoline for the appropriate six-month period for purposes of calculating the wholesale portion of the motor fuels tax. Currently, no such floor exists. The calculation of this portion of the motor fuels tax remains otherwise unchanged.

- 1) The average wholesale price of gasoline is derived by using data available from the State Energy Office on a per gallon basis and is taken from gasoline sold over the previous six-month period;
- 2) With the addition of this bill, this average price cannot be lower than \$2.44 per gallon; and
- 3) The average price is then multiplied by five percent to arrive at the wholesale portion of the motor fuels tax.

So, under LB 941, the wholesale portion of the motor fuels tax cannot be lower than 12.2 cents per gallon. This calculation continues to be performed twice each year, on April 1 and October 1. The April 1 calculation covers the previous July through December period. The October 1 calculation covers the previous January through June period. The first calculation under the act will be performed on October 1, 2018.

It is estimated that LB 941 will have the following fiscal impact:

Fiscal Year	State Highway Cash Fund
2018-2019	\$5,085,000
2019-2020	\$5,238,000
2020-2021	\$5,397,000
2021-2022	\$5,560,000

The estimate above considers the impact of a partial reduction of the variable rate; the final impact would be affected by the variable rate determined by the Department of Transportation.

It is estimated that there will be minimal costs to the Department to implement this bill.

The operative date for this bill is July 1, 2018.

Major Objects of Expenditure									
Class Code	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 Expenditures	19-20 Expenditures	20-21 Expenditures		
Benefits	Benefits								
Operating Costs	Operating Costs.								
Travel									
Capital Outlay									
Capital Improvemen	Capital Improvements.								