

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 638 changes the guidelines and procedures for automatic transfers from the General Fund to the Cash Reserve Fund. Currently, at the start of a fiscal year, the Legislative Fiscal Analyst and Tax Commissioner certify the revenue projection for the year. A re-certification occurs if the forecasts are reduced. At the end of the fiscal year, any actual receipts above the certified level are automatically transferred to the Cash Reserve Fund.

The bill requires, within 15 days of the end of the fiscal year, the Tax Commissioner to determine the following:

- a) Actual General Fund net receipts for the most recently completed fiscal year minus estimated General Fund net receipts for such fiscal year; or
- b) 50% of the product of actual General Fund net receipts for the most recently completed fiscal year times the difference between the annual percentage increase in the actual General Fund net receipts for the most recently completed fiscal year and the average annual percentage increase in the actual General Fund net receipts over the 20 previous fiscal years, excluding the year in which the annual percentage change in actual General Fund net receipts is the lowest.

If actual receipts exceed estimated receipts, the Tax Commissioner certifies the greater of the two numbers. The amount actual receipts exceed estimated receipts is transferred immediately, and the remainder, if any, is transferred by the end of the subsequent fiscal year. If the transfer causes the balance in the Cash Reserve Fund to exceed 16% of the total budgeted General Fund expenditures for the current fiscal year, the transfer must be reduced.

Whether funds would be transferred to the Cash Reserve Fund under LB 638 is dependent on not only whether the amount is above forecast, but also the increase in revenues relative to the average increase over the prior twenty years.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 638	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 3/13/2019	PHONE: (402) 471-4175	
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact.			

**State Agency Estimate**

State Agency Name: Department of Revenue				Date Due LFA: 3/12/19		
Approved by: Tony Fulton				Date Prepared: 3/8/19		
				Phone: 471-5896		
	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds						
Cash Funds						
Federal Funds						
Other Funds						
Total Funds						

LB 638 would amend Neb. Rev. Stat. § 77-4602 to change the calculation of the current year’s excess over the certified forecast and the resulting transfer to the Cash Reserve Fund from the General Fund. Currently, any and all of the excess over the certified forecast is transferred to the Cash Reserve Fund immediately after the certification after the end of the fiscal year.

Under LB 638, the Tax Commissioner shall determine the following:

- a) The difference between the actual and estimated General Fund net receipts, and
- b)  $\frac{1}{2} * \left\{ GF_t * \left[ \frac{GF_t}{GF_{t-1}} - \frac{1}{19} \left( \frac{GF_{t-1}}{GF_{t-2}} + \frac{GF_{t-2}}{GF_{t-3}} + \dots + \frac{GF_{t-18}}{GF_{t-19}} + \frac{GF_{t-20}}{GF_{t-21}} - GFG_x \right) \right] \right\}$ , where  $GF_t$  is the General Fund Net Receipts for fiscal year  $t$  and  $GFG_x$  is the lowest annual growth over the 20 year period.

If the amount calculated in b) is greater than a), then an amount equal to a) is transferred immediately to the Cash Reserve Fund. The remainder,  $b) - a)$ , is transferred to the Cash Reserve Fund after the following fiscal year.

If the amount calculated in a) is greater than in b), then an amount equal to a) shall be transferred immediately to the Cash Reserve Fund.

The State Treasurer transfers the certified amount from the General Fund to the Cash Reserve Fund upon certification by the director of the amount.

LB 638 also provides that if the transfer made pursuant to this section causes the balance in the Cash Reserve Fund to exceed sixteen percent of the total budgeted General Fund expenditures for the current fiscal year, the transfer will be reduced so that the balance of the Cash Reserve Fund does not exceed such amount.

LB 638 would be operative July 1, 2020.

Major Objects of Expenditure							
Class Code	Classification Title	19-20	20-21	21-22	19-20	20-21	21-22
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>						