

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	129,920 to 204,920		102,320 to 177,320	
CASH FUNDS		1,875,000 to 2,000,000	See below	3,750,000 to 4,000,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	129,920 to 204,920	1,875,000 to 2,000,000	See below	3,750,000 to 4,000,000

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

LB 922 would establish the Cellulosic Biomass Renewable Energy Initiative. The fiscal impact would include the following:

Excise tax on natural gas – An excise tax of one cent per one million BTUs would be levied on all natural gas imported into Nebraska for industrial use. Based upon Energy Office statistics regarding natural gas use by the industrial sector in Nebraska, it is estimated that this tax could raise \$395,000 to \$450,000 per year. The tax would become effective on January 1, 2009. Revenue from the tax would be deposited in the Cellulosic Biomass Renewable Energy Fund.

Oil severance tax – In addition to the existing 3% severance tax on oil and natural gas, a 2% severance tax would be assessed upon the value of nonstripper oil. Based upon existing severance tax revenue receipts, it is estimated that the revenue received from a 2% tax would total \$875,000 annually. The tax would become effective on January 1, 2009. Revenue from the tax would be deposited in the Cellulosic Biomass Renewable Energy Fund.

Railroad Train Mile Tax -- An additional 7.5 cent per train mile excise tax would be levied on each railroad transporting freight in Nebraska. It is estimated that approximately \$2,500,000 to \$2,750,000 will be received annually from this excise tax. The tax would become effective on January 1, 2009. Revenue from the tax would be deposited in the Cellulosic Biomass Renewable Energy Fund.

Cessation of tax collection: LB 922 provides that in the event that the unobligated balance of the fund exceed \$10,000,000, the collection of the taxes would be suspended until the balance of the fund fell below \$5,000,000.

Use of Cellulosic Biomass Renewal Energy Fund -- The Cellulosic Biomass Renewable Energy Fund could be used to pay for cost-share grants, loans, production incentives and general grants. It is anticipated that project applications and the project approval process would begin in FY09-10. The extent of the expenditures from the fund would depend upon the number of applications that qualify for funding and the size of approved projects. It is estimated that based upon the above revenue sources, that \$3,750,000 to \$4,000,000 could be available in the fund annually for grants, loans and incentive payments. Because the taxes providing revenue to the fund have a January 1, 2009 effective date, it is estimated that FY08-09 revenue would total approximately \$1,875,000 to \$2,000,000. It is estimated that the first grants, loans and incentive payments would be made in FY09-10.

Cellulosic Biomass Renewable Energy Board -- A three-member board would be created to review and approve applications for cost-share grants, loans, production incentive and general grants. The board would consist of representatives from the Nebraska Ethanol Board, the Department of Economic Development and the Department of Agriculture. It is anticipated that there would some costs to prepare rules and regulations, solicit and accept applications for funding and to evaluate applications for funding. Because LB 922 does not specify that the Cellulosic Biomass Renewable Energy Fund could be allowed for administrative costs, expenses would come from the General Fund unless the use of the cash fund was expanded. If the board was housed within one of the agencies represented on the board or contracted with an agency for administrative services, some administrative costs could be carried out by existing staff. Depending upon the amount of staffing assistance required by the board to solicit, process and evaluate project applications and monitor approved projects, total administrative and staffing expenses could range from \$75,000 to \$150,000 annually.

Department of Revenue expenses – The Department of Revenue would be responsible for the collection of the excise tax on natural gas, the oil severance tax and the railroad mile tax. It is anticipated that there will be additional administrative costs to the agency; because LB 922 does not allow the Department to withhold a portion of the revenue collections to offset administrative expenses, it is estimated that costs would come from the General Fund. It is estimated that first-year expenses would total approximately \$54,920 for initial data processing and auditing expenses, and \$27,320 in subsequent years to audit collection compliance.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
No fiscal impact to the Department of Agriculture.					
No fiscal impact to the Ethanol Board.					
No fiscal impact to the Department of Economic Development.					