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DATE PREPARED: January 28, 2008
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LB 881

Revision: 00

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	16,000	12,951,000		28,515,500
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	16,000	12,951,000		28,515,500

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

LB 881 establishes an excise tax of 3¢ per gallon on the production of ethanol to be paid by the owner of the ethanol production facility. The proceeds of this tax are deposited into the Highway Trust Fund and are then allocated 50% to the Dept. of Roads (Highway Cash Fund), 25% to counties and 25% to cities for road and street purposes (Highway Allocation Fund).

According to the Nebraska Ethanol Board the estimated revenue derived from the 3¢ tax is \$52,500,000 in FY08-09 and \$69,000,000 in FY09-10. The Department of Revenue estimated \$25,902,000 in FY08-09 and \$50,094,000 in FY09-10, and the Department of Roads estimated \$52,000,000 in both FY08-09 and FY09-10. The Department of Revenue's lower estimate the first year is based on the assumption that the tax will become operative on October 1, 2008 since the bill does not specify an operative date. This seems like a reasonable assumption so this fiscal note estimates FY08-09 revenue to be \$25,902,000. The varied estimates for FY09-10 assume different growth rates for the production of ethanol. For this fiscal note an average of the three estimates will be used, thereby giving estimated revenue of \$57,031,000 in FY09-10.

Based on this estimate the Highway Cash Fund (Roads) would receive \$12,951,000 in FY08-09 and \$28,515,500 in FY09-10. (Note that the Highway Cash Fund appropriation will need to be increased by these amounts in an A-bill if it is intended to increase the amount of revenue available to the Dept. of Roads. Without this appropriation the additional revenue would instead reduce the variable fuel tax.)

Additional revenue to counties would equal \$6,475,500 in FY08-09 and \$14,257,750 in FY09-10. Additional revenue to cities would equal \$6,475,500 in FY08-09 and \$14,257,750 in FY09-10.

The Department of Revenue is charged with the collection of the excise tax and has estimated one-time costs of \$16,000 cash funds in FY08-09 for computer programming.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	1/29/08	PHONE	471-2526
COMMENTS					
NEBRASKA ETHANOL BOARD: No fiscal impact to the Ethanol Board. It is assumed that the revenue generated in the first year will include only three quarterly tax payments and, therefore, would be less than estimated by the Board.					
DEPARTMENT OF ROADS: It should be noted that the excise tax does not include an effective date and, therefore, assumed to begin on the bill's operative date. It also appears that the first year of the tax will only include three tax payments due to the operative date.					