

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

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

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

Nebraska currently levies a five (5) percent tax on the average wholesale price of gasoline that is distributed 66 percent to the Department of Transportation (DOT), 17 percent to cities, and 17 percent to counties. LB 338 provides that the average wholesale price shall not be lower than \$2.44 and is operative on July 1, 2019. The first tax impact will occur on January 1, 2020 and will be based on the October 1, 2019 wholesale price.

The total estimated fiscal impact is an increase in revenue from the wholesale fuel tax, in the amounts of **\$15,697,141** for FY20 and **\$46,318,665** for FY21, see below for additional details. There is no indication costs to implement the bill would be incurred.

Based on data provided by the DOT, the projected wholesale price used to set the tax rate for the periods of; January 1, 2020 to June 30, 2020 is \$1.760, and for FY21 is \$1.772. Based upon these projected prices, the anticipated effect on revenue was calculated by determining the difference between the projected prices and the minimum wholesale price under LB 338 (\$2.44) and making the following assumptions based on data/information available from the DOT:

- For FY20, a one (1) cent motor fuel tax results in \$13,850,419 in annual revenue.
- For FY21, a one (1) cent motor fuel tax results in \$14,035,959 in annual revenue.
- The actual additional revenue received the first fiscal year will be lower than this annual figure due to the mid-fiscal year (January 1, 2020) tax rate change and a two (2) month lag in collections.

The table below provides calculated total increases based on the above assumptions and data provided from the DOT:

	FY20	FY21
Estimated Wholesale Price/Gallon	\$1.760	\$1.772
LB 338 Minimum Required Price/Gallon	\$2.44	
Difference	\$0.680	\$0.668
Tax Increase per Gallon (Diff. x 5%)	\$0.034	\$0.033
Dollar Amount \$0.01/Gallon Tax Generates Annually	\$13,850,419	\$14,035,959
Increased Revenue	\$15,697,141	\$46,318,665

Impact on the Department of Transportation

The DOT receives a share of 66 percent of the wholesale tax pursuant to R.R.S. 66-489(3)(a) that is allocated to the Highway Cash Fund (HCF). Based upon the total calculated increase each FY having the appropriate percentage applied, the following table demonstrates the anticipated increase in revenue from the wholesale fuel tax to be allocated to the HCF:

FY20	FY21
\$10,360,113	\$30,570,319

(Cont. on next page)

Without a change in the 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.

Impact on Cities and Counties

Pursuant to R.R.S. 66-489(3)(b) & (c), 17 percent of the revenue from the wholesale gasoline tax is allocated to the Highway Allocation Fund (HAF) for counties and municipalities (total 34%). Based upon the total calculated increase each FY having the appropriate percentage applied, the following table demonstrates the anticipated increase in revenue to counties and municipalities:

	FY20	FY21
Counties	\$2,668,514	\$7,874,173
Municipalities	\$2,668,514	\$7,874,173

Additionally, LB 338 requires cities of metropolitan class to use funds received from the HAF for the purposes of improving streets within the city, giving priority to unimproved streets which do not have the standard type of pavement and may be considered substandard.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 338	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Lee Will	DATE: 3/26/2019	PHONE: (402) 471-4175
COMMENTS: The Department of Revenue's assessment of fiscal impact seems reasonable given the assumptions used.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 338	AM:	AGENCY/POLT. SUB: Department of Transportation
REVIEWED BY: Lee Will	DATE: 3/26/2019	PHONE: (402) 471-4175
COMMENTS: Concur with the Department of Transportation's assessment of fiscal impact.		

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

2019

LB⁽¹⁾ 338

FISCAL NOTE

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

Prepared by: ⁽³⁾ Becky Fleming Date Prepared: ⁽⁴⁾ 3/18/19 Phone: ⁽⁵⁾ 402-479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	\$234,781	_____	(\$44,159)
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	\$234,781	=====	(\$44,159)

Explanation of Estimate:

LB 338 changes the calculation of the gasoline tax by setting a statutory floor for the average wholesale price. Beginning on and after July 1, 2019 the minimum average wholesale price to calculate the tax 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 January 1, 2020.

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.

The current anticipated wholesale tax for January 1 in FY20 is 8.8¢. Using the new minimum average wholesale price, the wholesale tax would be 12.2¢, which represents a 3.4¢ increase compared to current law estimates. *The variable rate has been set to generate approximately the same amount of revenue under the current law.*

The fiscal impact to the Department is minimal.

Estimated revenue and tax rate under current law:

	<u>Total</u>	<u>NDOT</u>	<u>Cities/Counties</u>
FY19-20	\$408,747,809	\$270,560,336	\$138,187,473
FY20-21	\$414,236,190	\$276,768,361	\$137,467,829

Estimated revenue and tax rate under LB338 wholesale price increase to \$2.440 and variable tax reduced by 2¢ (FY19-20)

	<u>Total</u>	<u>NDOT</u>	<u>Cities/Counties</u>
FY19-20	\$415,283,486	\$270,795,117	\$144,488,369
FY20-21	\$429,941,872	\$276,724,202	\$153,217,670

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____

