

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	18,500	(13,596,250)		(2,513,000)
CASH FUNDS	100,000,000	(20,000,000)		(33,000,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	100,018,500	(33,596,250)		(35,513,000)

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

LB 1000 widens the first and shrinks the second income tax bracket beginning in the taxable years beginning on January 1, 2008. Other brackets are left unmodified. The changes in the first brackets are as follows:

	Bracket #	Single	Married Filing Joint	Head of Household	Married Filing Separate	Estates And Trusts
Old Range	1	\$0 - \$2,400	\$0 - \$4,800	\$0 - \$4,500	\$0 - \$2,400	\$0 - \$500
Old Range	2	\$2,400 - \$17,500	\$4,800 - \$35,000	\$4,500 - \$28,000	\$2,400 - \$17,500	\$500 - \$4,700
New Range	1	\$0 - \$5,000	\$0 - \$10,000	\$0 - \$8,000	\$0 - \$5,000	\$0 - \$1,000
New Range	2	\$5,000 - \$17,500	\$10,000 - \$35,000	\$8,000 - \$28,000	\$5,000 - \$17,500	\$1,000 - \$4,700

The individual income tax bracket change is contained in section 1 of the bill. The Department of Revenue estimates the General Fund impact of this provision to be as follows. There is no basis to disagree with these estimates.

Fiscal Year	General Fund Revenue Impact
FY2008-09	(\$30,805,000)
FY2009-10	(\$32,468,000)
FY2010-11	(\$34,419,000)
FY2011-12	(\$36,568,000)
FY2012-13	(\$38,707,000)

Section 2 increases the Property Tax Credit relief granted for tax year 2008 from one hundred fifteen million (\$115 million) to two hundred fifteen million dollars (\$215 million). In addition, section 2 increases the transfer amount for the August 1, 2008 transfer from the General Fund to the Property Tax Credit Cash Fund from one hundred fifteen million (\$115 million) to one hundred twenty-eight million dollars (\$128 million). New language is also include to transfer eighty-seven million dollars (\$87 million) from the Cash Reserve Fund to the Property Tax Credit Cash Fund by August 1, 2008. The end result of section 2 provisions is a revenue decrease from the Cash Reserve Fund of \$87 million in fiscal year 2009 and a revenue reduction to the General Fund of \$13 million more than currently planned in fiscal year 2009. The Property Tax Credit Cash Fund realizes no net impact, since it will be receiving an increase of \$100 million in transferred funds and distributing the same increased amount.

Section 3 requires the State Treasurer to transfer thirty-three million dollars (\$33 million) from the Cash Reserve Fund to the General Fund by June 30, 2008 and again by June 30, 2009 and June 30, 2010.

The following table shows the section-by-section impact of LB 1000 on the General Fund (excluding the agency's one-time costs).

LB 1000 Section	Fiscal Year 2007-08*	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Note
Section 1	\$0	(\$30,805,000)	(\$32,468,000)	(\$34,419,000)	(\$36,568,000)	(\$38,707,000)	Income Tax Change
Section 2	\$0	(\$13,000,000)	\$0	\$0	\$0	\$0	To Property Tax Credit Cash Fund
Section 3	\$33,000,000	\$33,000,000	\$33,000,000	\$0	\$0	\$0	From Cash Reserve Fund
Interest Loss		(\$2,791,250)	(\$3,045,000)				Cash Reserve Fund transfers
Net Impact	\$33,000,000	(\$13,596,250)	(\$2,513,000)	(\$34,419,000)	(\$36,568,000)	(\$38,707,000)	

*fiscal year 2007-08 is the current fiscal year and is not reflected on the table at the top of this fiscal note.

The following table show the section-by-section impact of LB 1000 on the various cash funds affected.

LB 1000 Section	Fiscal Year 2007-08*	Fiscal Year 2008-09	Fiscal Year 2009-10	Note
Section 2	\$0	(\$87,000,000)	\$0	From Cash Reserve Fund to Property Tax Credit Cash Fund
Section 3	(\$33,000,000)	(\$33,000,000)	(\$33,000,000)	From Cash Reserve Fund to General Fund
Section 2	\$0	\$87,000,000	\$0	To Property Tax Credit Cash Fund from Cash Reserve Fund
Section 2	\$0	\$13,000,000	\$0	To Property Tax Credit Cash Fund from General Fund
Net Impact	(\$33,000,000)	(\$20,000,000)	(\$33,000,000)	

*fiscal year 2007-08 is the current fiscal year and is not reflected on the table at the top of this fiscal note.

It should be noted that any interest earnings on the Cash Reserve Fund normally flow to the General Fund. The \$33 million dollar transfers from the Cash Reserve Fund will reduce interest earnings, but since those funds are being transferred to the General Fund, there is no General Fund loss associated with these transfers. The same is not true for the \$87 million transfer from the Cash Reserve fund to the Property Tax Credit Cash Fund. Assuming that transfer takes place on August 1, 2008, the General Fund will not receive interest earnings for eleven months of fiscal year 2008-09 that it otherwise would. Similarly, the General Fund will not receive a full year's worth of interest earnings on that amount for fiscal year 2009-10. Assuming a simple 3.5% rate of return on \$87 million, eleven months of interest earnings is \$2,791,250. A full year's interest is \$3,045,000. These amounts have been added to the table on the first page of this note to fully reflect the bill's impact.

The Department of Revenue estimates one-time programming costs to be \$18,500. This appears to be reasonable.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
DEPT. OF REVENUE – The agency analysis appears reasonable.					