

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$347,086 to \$534,500	\$3,800,000 to \$5,100,000	See below	See below
CASH FUNDS	\$1,200,000 to \$1,900,000	\$1,200,000 to \$1,900,000	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,547,086 to \$2,434,500	\$5,000,000 to \$7,000,000	See below	See below

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

LB 905 would establish a 5 cent fee to be assessed upon single-use plastic checkout bags, beginning January 1, 2021. The fee would be assessed by the retailer at the time of purchase, based upon the number of checkout bags provided to the customer. Each store would be required to report fees collected and remit the fees at the same time as sales tax assessments. The 5 cent assessment would be divided as follows: 1) One cent retained by the retailer; 2) three cents to the General Fund; and 3) one cent to the Plastic Bag Reduction Fund. The fiscal impact of LB 905 is shown below:

Plastic bag fee revenue: The FY20-21 revenue would be based upon a January 1, 2021 effective date. Based upon the estimates of the Department of Revenue and the Department of Environment and Energy, total state revenue could range from \$5,000,000 to \$7,000,000 in FY20-21. Of that amount, \$1,200,000 to \$1,900,000 would be deposited in the Plastic Bag Reduction Fund in the Department of Environment and Energy. The remaining amount would be deposited in the General Fund, and is estimated to range from \$3,800,000 to \$5,100,000.

The actual amount of funding received in FY20-21 and in subsequent years will be based upon how rapidly consumers opt to not use single-use plastic checkout bags. It is estimated that revenue could drop significantly within one to two years. The state of Connecticut established a single-use plastic bag fee in 2019 that was initially expected to result in over \$20,000,000 in revenue, and but after the implementation of the fee, projected fee revenue has dropped to \$7,000,000. The reduced revenue is believed to be a result of a change in consumer use of one-use plastic bags, resulting in some retailers ceasing to offer plastic bags as a packing option.

Department of Revenue collection expenses: The Department of Revenue notes that it will incur one-time programming expenses to set up a tracking system for the new fee category, and would hire temporary staff and a half-time position to process the returns. This portion of the agency’s estimate would total approximately \$225,300. The agency also notes that it would add two Revenue Agents to assist with and enforce collection of the fee. This cost would total \$109,200, resulting in a total cost of \$334,500 in FY20-21. FY 21-22 costs would drop to \$121,700 to fund the 2 FTE Revenue Agent positions.

There is no basis to disagree with the agency estimate for programming costs and temporary and part-time staff in FY20-21. It is not clear if the addition of 2 FTE Revenue Agents would be required in future years if the amount of the fee collected drops rapidly. Costs would come from the General Fund.

Plastic Bag Reduction Fund expenses and DEE administrative costs: The Department of Environment and Energy would administer the Plastic Bag Reduction Fund and create a program to provide reusable checkout bags to the public. It is estimated that \$1,200,000 to \$1,900,000 would be spent for this purpose in FY20-21, with a potentially lower amount of revenue to distribute in FY21-22 and subsequent years. The agency estimates \$121,786 administrative costs in FY20-21 and approximately \$200,000 in costs in FY21-22 to hire 2 FTE to administer the program. Costs would come from the General Fund.

While the Department would incur expenses to establish the program and coordinate the printing and distribution of reusable checkout bags, it is not clear that 2 FTE would be required in both fiscal years, based upon the potential of rapidly declining revenue in the Plastic Bag Reduction Fund.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 905 AM: AGENCY/POLT. SUB: Nebraska Department of Environment and Energy

REVIEWED BY: Claire Oglesby DATE: 1/28/20 PHONE: (402) 471-4174

COMMENTS: LB 905 establishes a new fee that will begin January 1, 2021. Retail stores will charge a fee of five cents for each single-use checkout bag provided to a customer.

Nebraska Department of Environment and Energy's fiscal note statement appears reasonable based on the assumptions provided.

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2020

LB⁽¹⁾ 905

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Environment and Energy (084)

Prepared by: ⁽³⁾ Dennis Burling Date Prepared: ⁽⁴⁾ 01/21/2020 Phone: ⁽⁵⁾ 402-471-4214

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$123,786</u>			
CASH FUNDS		<u>\$676,033</u>	<u>\$1,014,050</u>	<u>\$760,538</u>
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$123,786</u>	<u>\$676,033</u>	<u>\$1,014,050</u>	<u>\$760,538</u>

Explanation of Estimate:

Under LB 905, The Department of Environment and Energy is required to create a program to provide reusable checkout bags to the public, and may adopt rules and regulations to carry out provisions of this requirement. The bill allows the director to enter into agreements for the design, creation and distribution of the checkout bags. The department also administers the Plastic Bag Reduction Fund which is funded by one cent of a five cent fee stores charge to customers on certain single-use plastic bags at the point of sale.

The following represents the assumptions used for this fiscal note:

- According to US Census statistics there are 845,042 housing units in Nebraska.
- If 10 reusable bags were provided for each housing unit, 8,450,420 bags would need to be produced
- The estimated cost of a reusable bag with recycled content is \$0.74 retail
 - Using \$0.50 as a per bag cost estimate to produce and acquire bags in volume, it will cost \$4,225,210 to produce the number of reusable bags estimated above
- It is assumed the revenue projections for the Plastic Bag Reduction Fund are to be based on a declining revenue stream. The more reusable bags in use, the less single-use plastic bags will be used at retail stores, potentially ending with little to no revenue collected.
- It is estimated that each housing unit uses 10 single-use plastic bags per store visit each week
- LB 905 requires fee collection to begin on January 1, 2021.
 - Using the assumptions above, the revenue collected for the six months of FY2020-21 would be \$2,028,101. If the first receipt of revenue to the Plastic Bag Reduction Fund is in late February/early March, the estimated revenue available in FY2020-21 would be \$676,033.
 - By FY2021-22, single-use plastic bag consumption at retail stores may be down by as much as 75 percent. If only 25 percent of the initial estimate of single-use plastic bags are used, the revenue available would be \$760,538.

LB 905 provides no direction to the department regarding the process of distribution of the reusable bags to retail stores across the state.

- To estimate the costs for program operation and development, the department based its calculations on a percentage of the total cost to produce the reusable bags. Using a value of 20% of the production amount, \$845,042 is necessary to support the design, creation, shipping, handling, and storage of the bags.

- The department estimates will take two staff positions to develop and implement a program that distributes nearly 8.5 million reusable bags to retail stores across the state. The two positions would begin in January 2021 during the last six months of FY 2020-21.
- The first year program costs will require General Funds to support staffing and operation costs. Cash funds can be used as the Plastic Bag Reduction Fund grows.

Since expenditures greatly exceed the revenue to provide 10 bags per housing unit, the department is projecting the following expenditures based on beginning distribution of bags in FY22.

- Projected Use of Cash Funds to Support Program in FY22
 - Produce 1-2 reusable bags per housing unit or 1,444,130 bags at the cost of:
 - \$722,065 to produce bags
 - \$144,413 for operational expenses
 - \$122,572 for two staff positions
 - \$25,000 for travel

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program Specialists	2	2	\$47,143	\$94,286
Benefits.....			\$14,143	\$28,286
Operating.....			\$50,000	\$866,478
Travel.....			\$12,500	\$25,000
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$123,786	\$1,014,050

