

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,880,000	(\$2,820,000)	\$1,040,000	(\$1,560,000)
CASH FUNDS		(\$1,880,000)		(\$1,040,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,880,000	(\$4,700,000)	\$1,040,000	(\$2,600,000)

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

LB 689 changes filing fees under the Nebraska Uniform Limited Liability Company Act.

Section 1 eliminates certain filing fees under the Act.

The Secretary of State estimates General Fund revenue losses of \$2,820,000 and \$1,560,000 in fiscal years 2023 and 2024, respectively. Cash Fund revenue losses are estimated to be \$1,880,000 and \$1,040,000 for the same years.

The Cash Fund revenue is used to fund agency operations and will need to be replaced in order to maintain current levels of operation. In lieu of Cash Funds, General Funds will need to be used for this purpose.

Since the fees are on a biennial basis, the fiscal impact in fiscal year 2025 will be higher than that realized in fiscal year 2024. It is assumed that it will be on the order of impact realized in fiscal year 2023, but adjusted for an increased number of entities filing. The same rationale is applicable to fiscal year 2026, relative to fiscal year 2024.

There is no basis to disagree with the Secretary of State's estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 689	AM:	AGENCY/POLT. SUB: Secretary of State	
REVIEWED BY: Ann Linneman	DATE: 2-1-2022	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Secretary of State's assessment of fiscal impact.			

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2022

LB⁽¹⁾ 689

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Secretary of State

Prepared by: ⁽³⁾ Joan Arnold Date Prepared: ⁽⁴⁾ 1-27-2022 Phone: ⁽⁵⁾ 402-471-2384

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2022-23</u>		<u>FY 2023-24</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$1,880,000	- \$2,820,000	\$1,040,000	- \$1,560,000
CASH FUNDS		- \$1,880,000		- \$1,040,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,880,000	- \$4,700,000	\$1,040,000	- \$2,600,000

Explanation of Estimate:

LB689 seeks to remove the fees for Limited Liability Company (LLC) formation filings as well as the biennial LLC reporting fees. LLC formation filings are a one-time fee (\$100 if filed online or \$110 if filed in-house). LLC biennial report fees are due once every two years in the odd-numbered years (\$25 if filed online or \$30 if filed in-house). The number of LLC's has significantly increased year over year with an average biennial growth rate of 22% and an 18% increase in biennial reports filed in each odd-numbered year, as illustrated in the table below.

General Filing Action	2015 Count	2016 Count	2017 Count	2018 Count	2019 Count	2020 Count	2021 Count
LLC Biennial Reports – Online	38,615	0	49,468	0	61,324	0	74,192
LLC Biennial Reports – In-House*	12,370	1,368	12,597	2,047	10,895	3,746	10,293
LLC Formation Filings Fees – Online	4,155	5,523	6,969	8,333	9,018	9,947	14,472
LLC Formation Filings Fees – In-House	5,547	4,370	4,183	4,687	3,224	2,501	2,538
	60,687	11,261	73,217	15,067	84,461	16,194	101,495

* A small percentage of biennial reports are filed in-house in the even-numbered years due to reinstatements.

Based on this historic growth and the current statutory fees, we estimate the legislation would reduce revenues by \$4,700,000 in fiscal year 2022-23 and by \$2,600,000 in fiscal year 2023-24. These fees are split with 60% going to the General Fund and 40% retained in the Secretary of State Cash Fund. The cash fund revenues are critical to funding staff salaries and benefits, as well as the technology costs needed to pay for the systems used to process business filings, as well as other general operating costs. Without this revenue, our office would require additional General Fund appropriations in the amount of lost revenue to ensure continued operations of our statutorily required duties.

General Filing Action	Fee**	FY23 Projected Count	FY23 Projected Revenue	FY24 Projected Count	FY24 Projected Revenue
LLC Biennial Report Fees – Online	\$ 25.00	87,547	\$2,188,675	0	\$0
LLC Biennial Report Fees – In-House	\$ 30.00	12,146	\$364,380	8,429	\$252,870
LLC Formation Filings Fees – Online	\$ 100.00	17,831	\$1,783,100	19,792	\$1,979,200
LLC Formation Filings Fees – In-House	\$ 110.00	3,127	\$343,970	3,471	\$381,810
Totals		120,651	\$4,680,125	31,692	\$2,613,880

** In order to reinstate, companies are required to file a biennial report and pay past due biennial report fees. For purposes of the fiscal note, we have only calculated the minimum amount of one biennial report fee (\$30).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Various	12	12	\$555,000	\$570,000
Benefits.....			\$195,000	\$200,000
Operating.....			\$1,130,000	\$270,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$1,880,000	\$1,040,000