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DATE PREPARED: January 27, 2010
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LB 885

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS	See Below	See Below	See Below	See Below
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 885 eliminates the Nebraska Energy Office (outright repeal of 81-1601) and merges the Energy Office with the Nebraska Oil and Gas Conservation Commission. The new agency would be called the Nebraska Energy Commission. The bill has an operative date of January 1, 2011.

The bill's provisions transfer contracts, funds, obligations and documents from the Oil and Gas Commission and the Energy Office to the Nebraska Energy Commission. Similarly, employees and property of the two merging agencies are transferred to the Nebraska Energy Commission.

Section 13 of the bill requires two additional commissioners be appointed to create a five member commission. Currently, the Oil and Gas Commission consists of three members. There would be additional per diem and travel expenses associated with this provision. The Energy Office estimates this cost to be $10,600. This estimate appears to be reasonable.

The Oil and Gas Commission has made several assumptions in estimating the bill's fiscal impact. The primary assumption is that the Nebraska Energy Commission would be housed in a single locale: Lincoln. Currently, the Oil and Gas Commission is located in Sidney, NE. Under this scenario, the Oil and Gas Commission estimates that only two current employees (both inspectors) would continue with the Nebraska Energy Commission. It is assumed that they would work from their homes. The remaining employees, under this scenario, would opt not to move their families to Lincoln. Additionally, it is assumed that replacing these employee's expertise would be difficult at best and perhaps not possible. Based on this scenario, the Oil and Gas Commission estimates expenditure and revenue reductions of ($304,920) Cash Funds and ($45,514) Federal Funds in fiscal year 2010-11 and ($634,255) Cash Funds and ($91,028) Federal Funds in fiscal year 2011-12. This paints a "worst-case" scenario and, in effect, assumes the inability to perform the vast majority of existing Oil and Gas Conservation Commission duties.

If an alternative set of assumptions is made, the bill's fiscal impact could be dramatically different. If one assumes the existing offices remain intact and that the bill addresses administrative issues, the loss of agency based expertise and ability need not occur. This situation would likely result in some increased costs compared to the two current agency budgets. There would be the cost of the two new commissioners added in section 13. In addition, increased travel and communication costs would be likely. Simply maintaining clear lines of communication within an agency that houses offices 350 miles apart will add some costs. It is also likely that the director's salary would be increased to adequately compensate the additional duties that are incurred. Staff reductions due to overlapping duties of the merged staffs is unlikely, but possible.

Without more clarification, the bill's impact cannot be accurately determined.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Cindy Miserez	DATE 1/22/10	PHONE 471-2526

COMMENTS

ADMINISTRATIVE SERVICES: I have no basis to dispute Administrative Services' estimate.

NEBRASKA ENERGY OFFICE: Decisions on issues mentioned in this fiscal note would likely be made by the board of commissioners.

The combined State Energy Office and Oil and Gas Commission would need to generate cash funds to support additional expense of the board. The State Energy Office cash funds of $300,000 per year are authorized in Statute 57-705. The Oil and Gas Commission generates cash funds by a severance tax levy authorized in Statute 57-919.

I have no basis to dispute the State Energy Office estimate of board expenses.