

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2011-12</b>		<b>FY 2012-13</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

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

LB 682 creates the Major Gas, Water, and Sewer Infrastructure Improvement and Replacement Assistance Act.

The bill provides that a municipality, natural gas utilities, and water utilities may apply for state assistance for combined sewer overflow improvement projects, and natural gas and water infrastructure replacement projects.

State assistance may be used for financing the construction, acquisition, substantial reconstruction, expansion, operation, improvement, or equipping of sewer, natural gas, and water cast iron infrastructure facilities.

State assistance is defined as the amount of state sales tax revenue collected by municipalities on the increase in monthly sewer use fees attributable to a combined sewer overflow project and from natural gas and water utilities on the increase in monthly charges collected for infrastructure replacement after July 1, 2013.

LB 682 defines a combined sewer overflow project as a municipal project to reduce overflows from a combined sewer system pursuant to a long-term control plan approved by the Department of Environmental Quality. Natural gas and water infrastructure replacement project means any project that is constructed or installed to redevelop or replace existing cast iron main piping, service piping connected to cast iron main piping, and related facilities.

The bill creates an application and approval process; a three-member board to review and approve applications; an audit process to be conducted by the Tax Commissioner; an annual report to the Legislature requirement; and gives the Department of Revenue rule and regulation authority.

The bill creates the Major Gas, Water, and Sewer Infrastructure Improvement and Replacement Fund. Upon certification by the Tax Commissioner of the state sales tax revenues collected by municipalities, natural gas utilities, and water utilities, the State Treasurer is to transfer the amount certified from the General Fund to the fund created by LB 682. The board is then to distribute from this fund to municipalities, natural gas utilities, and water utilities that have approved applications the lesser amount of either the total cost of the project or the total state sales tax collected by the municipality, natural gas utility, or water utility.

The Legislative Fiscal Office estimates the following fiscal impact as a result of LB 682:

	<u>Sewer Overflow:</u>	<u>Gas &amp; Water Infrastructure:</u>	<u>Total:</u>
FY2011-12:	\$ 0	\$ 0	\$ 0
FY2012-13:	\$ 0	\$ 0	\$ 0
FY2013-14:	(\$2,651,000)	(\$19,992,000)	(\$22,643,000)
FY2014-15:	(\$3,396,000)	(\$23,222,000)	(\$26,618,000)

The Department of Revenue estimates the following fiscal impact as a result of LB 682:

	<u>Sewer Overflow:</u>	<u>Gas &amp; Water Infrastructure:</u>	<u>Total:</u>
FY2011-12:	\$ 0	\$ 0	\$ 0
FY2012-13:	\$ 0	\$ 0	\$ 0
FY2013-14:	(\$4,103,000)	(\$19,992,000)	(\$24,095,000)
FY2014-15:	(\$4,766,000)	(\$23,222,000)	(\$27,988,000)

We disagree with the Department regarding the fiscal impact of the combined sewer overflow portion of LB 682 and agree with the Department on the fiscal impact of the Gas and Water Infrastructure portion.

In regards to the combined sewer overflow, we are aware of only two projects in the state and believe the amount currently being charged for these projects and projected charges and revenue from those projects to be somewhat lower than that estimated by the Department.

As to the gas and water infrastructure charges, given how broadly the bill is written in terms of projects that qualify it appears that all replacement or redevelopment projects qualify and apply to more than just piping replacement but include other facilities and equipment as part of the project. Because these projects would apply to more than just piping replacement the cost of the project would be greater as would be the charges and therefore, the revenue. Given the broad application and statewide applicability, we believe the Department's estimate to be reasonable.

The Department of Revenue estimates the cost to implement LB 682 to be minimal.

There is no basis to disagree with the Department's estimate of cost.

LB 682 does not specify which state agency will support the board created by the bill. Given the duties placed upon the board by LB 682 some level of support will probably be necessary and some cost incurred but since no agency is specified, we are unable to determine the cost.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	2/23/11	PHONE	471-2526
COMMENTS					
DEPT. OF REVENUE – No basis upon which to disagree.					
ENVIRONMENTAL QUALITY – It is unclear which state agency will provide the staffing and administrative support to the board. DEQ will incur some expenses in providing technical assistance and director time.					