

Doug Gibbs January 30, 2012 402-471-0051

LB 1033

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * FY 2013-14 FY 2012-13 REVENUE **EXPENDITURES** REVENUE **EXPENDITURES** (\$5,579,000) (\$5,439,000)GENERAL FUNDS (\$ 152,500) CASH FUNDS FEDERAL FUNDS OTHER FUNDS TOTAL FUNDS (\$5,579,000) (\$5,591,500)

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

LB 1033 amends the Nebraska Advantage Act to create a new Tier 7 in the Act for renewable energy projects.

For a Tier 7 project a "qualified business" is defined as a business engaged in the production of electricity for sale by using one or more renewable energy sources. Qualified renewable energy sources include wind, solar, geothermal, hydroelectric, and biomass.

The application fee for a Tier 7 project is \$2,500 and applications may be filed up to January 1, 2019.

A Tier 7 project must meet the required levels of investment by the fourth year after the year in which the application was submitted and then has an entitlement period that includes the year during which the required increase in investment was met or exceeded and six years thereafter. There is no employment requirement for a Tier 7 project.

For a project that has qualified investment of less than \$75 million: the qualified business shall receive a refund of 50% of all sales and use taxes paid on qualified purchases; a refund of an additional 25% of sales and use taxes paid on additional specified purchases of goods and services, lease and easement payments, and qualified contributions to an employee stock ownership plan; and a refund of the remaining 25% of sales and use taxes paid on qualified transactions if the taxpayer is a Nebraska resident or Nebraska residents own at least 25% of the business.

For a project that has qualified investment of more than \$75 million: the qualified business shall receive a refund of 75% of all sales and use taxes paid on qualified purchases; a refund of the remaining 25% of sales and use taxes paid if 25% or more of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services.

Incentive amounts are subject to recapture or may be disallowed if investment levels are not maintained as required by statute.

Because the bill does not require a minimum level of investment, it appears that small home, agricultural, or commercial producers of electricity will qualify for the incentive given the state's net metering statutes, which require power companies to purchase excess electricity generated by these small producers. We believe a number of these producers will file applications.

The Department of Revenue estimates the following fiscal impact:

Fiscal General Year: Fund:		State Highway Capital Improvement Fund:	Capital Highway Improvement Allocation		Total:
Year: FY2012-13: FY2013-14: FY2014-15:	(\$5,579,000) (\$5,439,000) (\$5,556,000)	\$ 0 (\$ 220,000) (\$ 224,000)	\$ 0 (\$ 39,000) (\$ 40,000)	Fund: \$ 67,500 \$ 67,500 \$ 67,500	(\$ 5,579,000) (\$ 5,630,500) (\$ 5,752,500)

The Department estimates the cost to implement LB 1033 to be minimal, although there will be some costs associated with modifying the LB 312 tracking system.

We agree with the Department of Revenue estimate of fiscal impact and cost to implement LB 1033.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Revenue estimates the following fiscal impact to the Highway Allocation Fund as a result of LB 1033:

FY12-13:\$ 0FY13-14:(\$39,000)FY14-15:(\$40,000)

We agree with the Department's estimate of fiscal impact.

DEPARTMENT OF	ADMINISTRATIVE SERVICES

REVIEWED BY
Gary Bush
DATE 1/31/12
PHONE 471-2526

COMMENTS
DEPARTMENT OF REVENUE: Agency's estimate of impact appears to be reasonable.
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LB 1033		JAN 3 1 200	Fiscal Note	2012			
		State Agenc	y Estimate Log	<0K			
State Agency Name: Department	of Revenue	<u> </u>	-91	SLATI	Date Due LFA:		
Approved by: Douglas Ewald		Date Prepared	l:	FISCA	Phone: 471-5700	C. 6	
	FY 2012-2013		FY 20	13-2014	FY 2014-2015		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		(\$5,579,000)		(\$5,439,000)		(\$5,556,000)	
Cash Funds				(\$191,500)		(\$196,500)	
Federal Funds							
Other Funds							
Total Funds		(\$5,579,000)		(\$5,630,500)	5	(\$5,752,500)	

LB 1033 creates a Nebraska Advantage Tier 7 for renewable energy projects. The project must produce electricity for sale by wind, solar, geothermal, hydroelectric, or biomass. The entitlement period is seven years. There are two levels of benefits depending on the size of the investment.

Under \$75 million: Sales tax refund of 50% of the sales tax paid, another 25% of the tax refunded if over 25% of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services like the C-BED requirement, and another 25% refund if the taxpayer is a Nebraska resident or owned at least 25% by Nebraska residents.

Over \$75 million: Sales tax refund of 75% of the sales tax paid, with another 25% of the tax refunded if over 25% of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services such as the C-BED requirement.

The application fee is \$2,500 to be credited to the Nebraska Incentives Fund. Amounts are subject to recapture if investment levels are not maintained. No applications for this program will be accepted after January 1, 2019.

LB 1033 is expected to impact revenue to the following funds:

Γ	Fiscal Year	General Fund	State Highway	Highway	Nebraska	Total	
			Capital	Allocation Fund	Incentives		
			Improvement Fund		Fund		
Γ	2012-13	(\$5,579,000)	\$0	\$0	\$67,500	(\$5,579,000)	
Γ	2013-14	(\$5,439,000)	(\$220,000)	(\$39,000)	\$67,500	(\$5,698,000)	
	2014-15	(\$5,556,000)	(\$224,000)	(\$40,000)	\$67,500	(\$5,820,000)	

Departmental cost to implement the bill includes some costs associated with modifying the LB 312 tracking system, estimated to be minimal.

Major Objects of Expenditure									
<u>Class Code</u>	Classification Title	12-13 <u>FTE</u>	13-14 <u>FTE</u>	14-15 <u>FTE</u>	12-13 Expenditures	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>		
Benefits.		l		I					
Operating Costs									
Travel.									
					<u> </u>				
Capital Improvements					· · · · · · · · · · · · · · · · · · ·				
Total									