Doug Gibbs February 12, 2013 402-471-0051

LB 501

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	14-15					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS				(\$7,476,000)			
CASH FUNDS				(\$ 303,000)			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS				(\$7,779,000)			

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

LB 501 amends the Nebraska Advantage Act.

The bill amends Section 77-5715 regarding what is considered a qualified business for Tier 2, 3, 4 or 5 projects, to add a business engaged in the production of electricity by using one or more sources of renewable energy to produce electricity for sale.

Renewable energy sources include wind, solar, geothermal, hydroelectric, and biomass.

The Department of Revenue has indicated that due to the capital intensity but limited employment requirements of renewable energy projects, only a large wind farm would qualify under the investment and job creation thresholds of Tier 5 of the Advantage Act.

The Department, based on information from the Nebraska Energy Office, assumes one wind project will be built in 2013, with an Advantage Act sales tax refund in FY2014-15, and with ongoing capital replacement expenses (based on data from the National Renewable Energy Laboratory). The fiscal impact estimate is based on prior wind projects of comparable size. It is expected that wind farms will be constructed in 3 to 5 year increments thereafter.

The Department estimates the following fiscal impact to the various listed funds:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund:	Total:
FY2013-14:	\$0	\$ 0	\$ 0	\$ 0
FY2014-15:	(\$ 7,476,000)	(\$ 303,000)	(\$ 54,000)	(\$ 7,833,000)
FY2015-16:	(\$ 109,000)	(\$ 4,400)	(\$ 780)	(\$ 114,180)
FY2016-17:	(\$ 109,000)	(\$ 4,400)	(\$ 780)	(\$ 114,180)

The Department estimates the cost to implement the provisions of LB 501 will be minimal.

There is no basis to disagree with the Department's estimates of fiscal impact and cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 501 AM: AGENCY/POLT. SUB: Dept. of Revenue							
REVIEWED BY: Lyn Heaton DATE: 2/13/2014 PHONE: 402.471.4181							
COMMENTS: The Department of Revenue has assumed one wind energy project qualifying for benefits under the Nebraska Advantage program will be built in 2013, based on information obtained from the Nebraska Energy Office. No basis upon which to disagree with the Department's analysis. Concur with the Department's estimate of minimal operational cost to implement the bill.							

Fiscal Note 2013

State Agency Estimate								
State Agency Name: Department of Revenue Date Due LFA: 1/31/13								
Approved by: Douglas Ewald Date Prepared: 2/8/13 Phone: 471-5896								
FY 2013-2014			FY 2014-2015		FY 2015-2016			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds		\$0		(\$7,476,000)		(\$109,000)		
Cash Funds				(\$357,000)		(\$5,180)		
Federal Funds								
Other Funds								
Total Funds		\$0		(\$7,833,000)		(\$114,180)		
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State A man ary Estimate

LB 501 redefines qualified business under the Nebraska Advantage Act to include the production of electricity by using one or more sources of renewable energy to produce electricity for sale. Renewable energy sources are defined as wind, solar, geothermal, hydroelectric, and biomass.

Due to the capital intensity but limited employment requirements of renewable energy projects, only major wind farms would qualify under the investment and job creation thresholds of Tier 5 of the Nebraska Advantage Act. While the fiscal impact depends in part on future congressional support for the federal wind energy Production Tax Credit, the Department assumes one wind project will be built in 2013, based on information from the Nebraska Energy Office, with a Nebraska Advantage sales tax refund in FY 2014-15, and with ongoing capital replacement expenses based on data from the National Renewable Energy Laboratory. The fiscal estimate is based on prior wind projects of comparable size. It is expected that wind farms will be constructed in 3 to 5 year increments thereafter, but precise construction dates are presently unknown.

The bill is expected to have an impact on the following funds:

Fiscal Year	General Fund	State Highway	Highway	Total
		Capital	Allocation Fund	
		Improvement Fund		
2013-14	\$0	\$0	\$0	\$0
2014-15	(\$7,476,000)	(\$303,000)	(\$54,000)	(\$7,833,000)
2015-16	(\$109,000)	(\$4,400)	(\$780)	(\$114,180)
2016-17	(\$109,000)	(\$4,400)	(\$780)	(\$114,180)

It is estimated that Departmental cost to implement the bill is minimal.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>	15-16 <u>Expenditures</u>	
Benefits	Benefits							
Operating Costs								
Travel								
Capital Outlay								
Aid								
Capital Improvements								
Total								