PREPARED BY: DATE PREPARED: PHONE: Douglas Gibbs January 30, 2018 402-471-0051

LB 1071

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	8-19	FY 2019-20				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS		See Below		See Below			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		See Below		See Below			

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

LB 1071 creates the Infrastructure Improvement and Replacement Assistance Act.

The bill would require the state to turn back some unspecified percentage of the state sales tax collected on sewer and potable water fees by the state to municipalities and sewer and water utilities. The revenue could be used to construct, upgrade, redevelop, and replace sewer and water infrastructure facilities.

Water utility means any water utility operated by a political subdivision.

Sewer utility means any sewer utility operated by a political subdivision.

The Department of Revenue has noted that the bill lacks a procedure for the cities to participate in the state assistance program and a procedure or certification for the Department to follow when determining the amount and notifying the State Treasurer of the amount for each municipality.

In addition, the turn back distribution is to be on a "per capita percentage directly to each participating political subdivision or utility based on state sales tax paid." At least two interpretations of this language are possible:

- a) It is intended to work like convention center or sports arena facility assistance and the amount turned back to a municipality is a percentage of the state sales tax collected on water and sewer fees collected by that utility; or
- b) The state is to estimate the state sales tax collected on sewer and water fees statewide and distribute a percentage of that amount to all participating municipalities per capita.

Fiscal Impact:

Because the percentage of state sales tax to be turned back is unspecified in the bill, we are unable to provide an estimate of fiscal impact specific to LB 1071. However, previous legislation similar in provisions but smaller in scope to LB 1071, reduced revenue to the General Fund by approximately \$26,000,000 annually.

IMPACT TO POLITICAL SUBDIVISIONS:

Because of the unspecified rate of sales tax to be turned back and the lack of procedure for participation, there is no fiscal impact to political subdivisions.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 1071	AM:	AGENCY/POLT. SUB:	Dept. of Revenue			
REVIEWED B	REVIEWED BY: Lyn Heaton DATE: 1/31/2018 PHONE: (402) 471-4181					
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 1071	AM:	AGENCY/POLT. SUB:	City of Lincoln		
REVIEWED B	3Y: Lyn Heaton	DATE: 1/31/2018	PHONE: (402) 471-4181		
COMMENTS: The impact on the City of Lincoln is indeterminate due to the lack of specificity in the bill as introduced.					

LB 1071 Fiscal Note 2018

State Agency Estimate								
State Agency Name: Department of	Revenue				Date Due LFA:	02/01/2018		
Approved by: Tony Fulton		Date Prepared:	01/29/2018		Phone: 471-5896			
FY 2018-2019			FY 2019-2020		FY 2020-2021			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds		See below		See below		See below		
Cash Funds								
Federal Funds								
Other Funds								
Total Funds		See below		See below		See below		
	·			•				

LB 1071 would adopt the Infrastructure Improvement and Replacement Assistance Act. Sections 2 & 3 state legislative findings that sewer and water utilities face a need to construct, upgrade, redevelop, and replace sewer and water infrastructure and that it is in the public interest to assist municipalities in this endeavor.

Section 3 provides that the state will provide this assistance by turning back a part of the state sales tax collected on sewer and water fees. The percentage of the state sales tax to be turned back is unspecified in the bill. The bill also lacks a procedure for the cities to participate in the state assistance program and a procedure or certification for the Department of Revenue to follow when determining the amount and notifying the Department of Administrative Services of the amount for each municipality.

The bill does say that the state is to assist "on a per capita percentage directly to the participating political subdivision or utility based on state sales tax paid." At least two interpretations of this language are possible: 1. This is to work like convention center or sports arena assistance and the amount turned back to a municipality is a percentage of the state sales tax collected on water and sewer fees collected by that utility; or 2. The state is to estimate the state sales tax collected on sewer and water fees statewide and distribute a percentage of that amount to all participating municipalities per capita.

The impact to the General Fund revenues are undeterminable due to the unspecified rate of the sales tax turn back on the sales tax collected on sewer and water fees, and the interpretation of the assistance requirement.

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 Expenditures	19-20 Expenditures	20-21 Expenditures
Benefits							
Operating Costs							
Travel							
Capital Outlay							
Capital Improvement	ts						
T-4-1							

LB ⁽¹⁾ 1071					FISCAL NOTE
State Agency OR I	Political Subdivision Name:	City of Lincoln			
Prepared by: (3)	James Van Bruggen	Date Prepared: (4	1/25/18	Phone: (5)	402-441-8301
	ESTIMATE PRO	VIDED BY STATE AGE	NCY OR POLITIC	CAL SUBDIVISI	ON
]	FY 2018-19		FY 2019	9-20
	EXPENDITUR		EXPENI	DITURES	REVENUE
GENERAL FUN	DS				
CASH FUNDS					
FEDERAL FUNI	DS				
OTHER FUNDS					
TOTAL FUNDS					
Explanation of E	stimate:				
Fiscal impact d	epends on the percent	age of sales tax returne	ed to the city.		
	oponiae en ine percent	90 0. 0	- u - u - u - u - u - u - u - u - u - u		
Personal Services		OWN BY MAJOR OBJEC	CTS OF EXPEND	<u>ITURE</u>	
	TION TITLE	NUMBER OF POSITIO 18-19 19-20		18-19 DITURES	2019-20 EXPENDITURES
			<u> </u>		
			<u> </u>		
Benefits					
Operating					
- •					
	nents				
101AL					