Samuel Malson January 27, 2020 402-471-0051

# LB 1033

## Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

	ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
		FY 202	0-21	FY 20	21-22			
		EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GE	NERAL FUNDS	22,956	(1,200,000)		(1,374,000)			
	CASH FUNDS		SHCIF – (44,000) AICF – 1,252,000		SHCIF – (56,000) AICF – 1,440,000			
FE	DERAL FUNDS							
	OTHER FUNDS							
	TOTAL FUNDS	22,956	See below		See below			

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

LB1033 amends 77-27,132 to provide that transactions occurring on or after July 1, 2020 for an amount equal to the total amount of sales and use taxes imposed on the sale or lease of aircraft are credited to a newly created Department of Transportation Aeronautics Capital Improvement Fund (ACIF).

The uses of the newly created fund include providing funding to build, repair, renovate, rehabilitate, restore, modify, or improve any infrastructure under the authority and administration of the Division of Aeronautics in the Department of Transportation (NDOT).

The Department of Revenue (DOR) has indicated that based on registration data from the Federal Aviation Administration which is utilized to contact aircraft owners and lessors to confirm that all applicable sale and used taxes are paid, an average of sales and use tax receipts over the past seven (7) years was used to arrive at an annual estimate of applicable sales and use taxes received that was adjusted in future years based on past history and current economic forecasts.

Based on the estimates provided by the DOR (see attached), there would be a fiscal impact in the form of a revenue decrease to the General Fund, State Highway Capital Improvement Fund (SHCIF- NDOT), and Highway Allocation Fund (HAF – Cities and Counties). Under current statute, one quarter (1/4) of one percent (1%) of the sales and use taxes collected\* are set aside to be remitted to the SHCIF (85% of total) and HAF (15% of total). The remaining revenue is remitted to the General Fund.

The fiscal note (see attached) provided by the DOR provides the following revenue decrease estimates (of which there is no basis to disagree):

Estimated Revenue Reduction	FY21	FY22	FY23	FY24
General Fund	\$1,200,000	\$1,374,000	<b>\$1,443,000</b>	\$1,515,000
SHCIF - NDOT	\$44,000	\$56,000	\$58,000	\$61,000
HAF - Cities & Counties	\$8,000	\$10,000	\$10,000	\$11,000

For perspective, the annual proceeds from the one quarter (1/4) of one percent (1%) of the sales and use taxes collected in FY19 that were remitted to the SHCIF and HAF were approximately \$67,000,000 and \$11,900,000, respectively. Additionally, HAF revenue from sales and use tax is approximately 3.67 percent of the HAF's total revenue.

The DOR has estimated the newly created NDOT Aeronautics Capital Improvement Fund will receive annual revenue in the following amounts:

Estimated Aeronatics Capital Improvement Fund						
Revenue						
FY21	FY22	FY23	FY24			
\$1,252,000	\$1,440,000	\$1,511,000	\$1,587,000			

The operative date of the bill is July 1, 2020 and there is a one (1) month lag in the tax receipts being available, as such (per the DOR) the FY21 estimates were adjusted to reflect 11 months of revenue.

The DOR has indicated one-time programming costs associated with the change are estimated to be \$22,956. There is no basis to disagree with the estimate.

The NDOT has provided a fiscal note (see attached) which mirrors the information delineated above and indicates no additional expenses will be incurred to administer the new fund. A basis to disagree with their assessment is absent.

\*Not including those sales and use tax proceeds for personal watercraft, all-terrain vehicles, utility-type vehicles, motor vehicles, trailers, and semitrailers which are remitted to the Highway Trust Fund.

## Fiscal Note 2020

		State Agen	icy Estimate			
State Agency Name: Department of	Revenue				Date Due LFA:	1/28/2020
Approved by: Tony Fulton		Date Prepar	ed:		Phone: 471-5896	
	FY 2020	-2021	FY 2021	1-2022	<b>FY 20</b> 2	22-2023
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$22,956	(\$1,200,000)		(\$1,374,000)		(\$1,443,000)
Cash Funds		\$1,208,000		\$1,384,000		\$1,453,000
Federal Funds						
Other Funds		(\$8,000)		(\$10,000)		(\$10,000)
Total Funds	\$22,956	\$ 0		\$ 0		\$ 0

LB 1033 creates the Department of Transportation Aeronautics Capital Fund (fund). Beginning July 1, 2020, Neb. Rev. Stat. § 77-27,132 will require a credit to the fund of an amount equal to the total amount of sales and use taxes on the sale or lease of aircraft as defined in § 3-101. The fund will also consist of any transfers authorized by the Legislature, as well as any gifts, grants, bequests, or donations.

The Department of Transportation (DOT) will administer the fund to build, repair, renovate, rehabilitate, restore, modify or improve any infrastructure under the Division of Aeronautics of the DOT. The state investment officer will invest any money available in the fund for investment under the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

The estimated impact of the bill is expected to be as follows:

	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	DOT Aeronautics Capital Improvement Fund
FY 2020-2021	(\$1,200,000)	(\$44,000)	(\$8,000)	\$1,252,000
FY 2021-2022	(\$1,374,000)	(\$56,000)	(\$10,000)	\$1,440,000
FY 2022-2023	(\$1,443,000)	(\$58,000)	(\$10,000)	\$1,511,000
FY 2023-2024	(\$1,515,000)	(\$61,000)	(\$11,000)	\$1,587,000

LB 1033 will require a one-time programming charge of \$22,956 to be paid to the OCIO for development costs.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	20-21 <u>FTE</u>	21-22 <u>FTE</u>	22-23 <u>FTE</u>	20-21 <u>Expenditures</u>	21-22 <u>Expenditures</u>	22-23 <u>Expenditures</u>	
Benefits								
Operating Costs					\$22,956			
Travel								
Capital Outlay								
Capital Improvements								
					\$22,956			

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LB <sup>(1)</sup> 1033				FISCAL NOTE
State Agency OR Pol	itical Subdivision Name: <sup>(2)</sup>	Nebraska Departn		
Prepared by: <sup>(3)</sup> Jenessa Boynton		Date Prepared: <sup>(4)</sup> 7/20 Ph		402-479-4691
	ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL SUBDIVI	SION
	FY 9	2020-21	FY 202	1-22
	<b>EXPENDITURES</b>	<u>REVENUE</u>	<b>EXPENDITURES</b>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	See below*	See below	See below*	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

#### **Explanation of Estimate:**

LB 1033 amends section 77-27,132 to provide, effective with transactions occurring on or after July 1, 2020, that the Department of Revenue shall credit the sales and use tax revenue attributable to the sale or lease of aircraft as defined in section 3-101 to the Department of Transportation Aeronautics Capital Improvement Fund, which fund is created in the bill. The bill redirects the sales tax revenue on sale or lease of aircraft as defined from the state General Fund, the State Highway Capital Improvement Fund, and Highway Allocation Fund to the new fund. The Department of Transportation (NDOT) shall administer the new fund to build, repair, renovate, rehabilitate, restore, modify, or improve any infrastructure under the authority and administration of the Division of Aeronautics of NDOT.

Revenue to Aeronautics Capital Improvement Fund						
FY2020/21 FY2021/22 FY2022/23 FY2023/24						
Aeronautics Capital Improvement Fund	\$1,250,000.00	\$1,440,000.00	\$1,511,000.00	\$1,587,000.00		

Revenue Reductions to Build Nebraska Act Funds						
FY2020/21 FY2021/22 FY2022/23 FY2023/24						
Highway Capital Improvement Fund	(\$44,000.00)	(\$56,000.00)	(\$58,000.00)	(\$61,000.00)		
Highway Allocation Fund (cities and counties)	(\$8,000.00)	(\$10,000.00)	(\$10,000.00)	(\$11,000.00)		
Total	(\$52,000.00)	(\$66,000.00)	(\$68,000.00)	(\$72,000.00)		

This estimate of tax revenue was obtained from the Nebraska Department of Revenue. No additional expense or employees (FTEs) will be needed to administer the new fund. Changes in the distribution of sales tax revenue will divert funds from the Build Nebraska Act impacting NDOT, cities, and counties.

### BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:					
	NUMBER OI	F POSITIONS	2020-21	2021-22	
POSITION TITLE	<u>20-21</u>	<u>21-22</u>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>	
Benefits					
Operating					
Travel					
Capital outlay					
Aid					
Capital improvements			\$1,250,000.00*	\$1,440,000.00*	
TOTAL					