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LB 1114

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		\$ 2,100,000		\$ 2,200,000
CASH FUNDS		(\$ 2,100,000)		(\$ 2,200,000)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$ 0		\$ 0

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

LB 1114 amends Nebraska Revised Statutes dealing with revenue and taxation.

The bill amends Section 13-2814 to eliminate the 3% administrative fee kept by the Department of Revenue for sales and use tax collections and also eliminates the provision that the receipts from that administrative fee are to be deposited in the Municipal Equalization Fund (MEF).

Section 77-27,139.01 is amended to provide that the MEF only applies to second class cities and villages. Current language refers to "incorporated cities."

Section 77-27,139.02 is amended to reduce the number of population groupings for municipalities from three to two for purposes of the MEF aid formula. The "municipalities with a population of 5,000 inhabitants or more" grouping is eliminated. This is consistent with the aid formula only applying to second class cities and villages.

The bill also amends Section 77-27,144 to eliminate the 3% deduction from sales and use taxes that is remitted to cities that now goes to the Municipal Equalization Fund. This is consistent with the change to Section 13-2814.

The net effect of these changes is to eliminate cities of the metropolitan class, primary class, and first class from eligibility for MEF; eliminates those same cities from the average property tax levy calculation for purposes of the formula; gives those cities with the local option sales tax what amounts to a 3% increase in their sales tax collections; and makes the insurance premium tax the only funding for MEF.

The bill has an operative date of July 1, 2012.

The Department of Revenue indicates that the bill will reduce the amount available for distribution to second class cities and villages through MEF. Excess funds compared to eligible aid to second class cities and villages will increase revenue to the General Fund by \$2.1 million in FY2012-13, \$2.2 million in FY2013-14, and \$2.3 million in FY2014-15.

LB 1114 Changes for Current Statute:

	FY2012-13:	FY2013-14:	FY2014-15:
Change in MEF Aid:	(\$ 12,100,000)	(\$ 12,500,000)	(\$ 12,900,000)
Transfer from MEF Cash Fund to General Fund:	\$ 2,100,000	\$ 2,200,000	\$ 2,300,000
Increase in City Sales Tax via Admin. Fee:	\$ 10,000,000	\$ 10,300,000	\$ 10,600,000
Net Change:	\$ 0	\$ 0	\$ 0

The Department estimates the cost to implement the provisions of LB 1114 to be minimal/

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

