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 DATE PREPARED: March 07, 2011  
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**LB 385**

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 385 amends the Low-Income Home Energy Conservation Act, Nebraska Revised Statutes Sections 66-1015 and 66-1016.

Section 66-1015 is amended to terminate the Energy Conservation Improvement Fund on June 30, 2012. Any money in the fund from designated state sales taxes on that date shall be deposited in the General Fund and any matching funds contributed by an eligible entity remaining in the fund shall be refunded to that entity.

In addition, an eligible entity could not designate state sales taxes collected for deposit to the Fund after the effective date of the bill or contribute matching funds.

An eligible entity is one of the following: a public power district, a rural public power district, an electric cooperative, a nonprofit corporation organized for the purpose of furnishing electric service, a joint entity organized under the Interlocal Cooperation Act, or a municipality.

The bill amends Section 66-1016 to provide that no distribution may be made from the Energy Conservation Improvement Fund after June 30, 2012.

The bill contains the emergency clause.

The Department of Revenue has indicated the fiscal impact to the General Fund as an increase of \$4,652,000 per fiscal year beginning in FY2011-12 and a reduction in the Cash Fund revenue of \$8,119,000 per fiscal year along with a commensurate decrease in Cash Fund expenditures of \$8,119,000 per fiscal year.

It appears that the Department's estimate is based on the original 2008 fiscal note on LB 1001 which created the Fund and the program, and the savings to the General Fund is based on the original assumptions regarding LB 1001 and utilization of the program. The federal government enacted similar legislation under the American Recovery and Reinvestment Act of 2009 (ARRA) which did not have the matching requirements of LB 1001 and appears to have been widely used in the state with approximately \$13,895,000 being spent through January 2011. Therefore, the utilization of the Low-Income Home Energy Conservation Act has been much lower than anticipated. Given the amount expended under the ARRA program, it appears that the original assumptions concerning LB 1001, absent the passage of the federal legislation, would have been accurate because of the demand for such grants and the cost savings estimated by the Department if LB 385 passes, are justified on that basis.

The balance in the Energy Conservation Improvement Fund as of February 28, 2011 was \$129,644, which includes \$4,222 of investment income for the fiscal year to that point. The peak balance in the Fund was \$383,745, which also includes investment income. Disbursements from the fund have totaled \$258,323.

In terms of impact to the General Fund if LB 385 passes, and if no additional deposits are made to the Energy Conservation Improvement Fund from now until the termination date in the bill, we estimate that approximately \$65,000 will be remitted to the General Fund and \$65,000 will be returned to the eligible entities that have provided matching funds. However, if grants continue to be made, they would be encumbered and there is the possibility that the Fund will be exhausted and no money will be available for remittance to the General Fund or refunded to the eligible entities.

With the expiration of the ARRA program and if the Low-Income Energy Conservation Act were to continue, it is reasonable to expect substantial impact to the state. Therefore, the General Fund savings estimated as a result of LB 385 by the Department of Revenue would be accurate.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	3/8/11	PHONE	471-2526
COMMENTS DEPARTMENT OF REVENUE: The current base level of cash fund appropriation that would no longer be needed is \$8,119,840.					

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LEGISLATIVE BUDGET

Fiscal Note 2011

LB 385

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 1/24/2011
Approved by: Douglas Ewald Date Prepared: 1/19/2011 Phone: 471-5700

Table with columns for FY 2011-2012, FY 2012-2013, and FY 2013-2014, each subdivided into Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 385 amends the Low-Income Energy Conservation Act, sections 66-1015 and 66-1016, to sunset contributions into the Energy Conservation Improvement Fund and grants awarded from the Fund.

Under the bill, contributions of state sales taxes collected from customers and matching funds provided by the utility for deposit into the Fund could no longer be made after the effective date of the bill. Any money in the fund prior to this date could be used to fund grants through the certified encumbrance re-appropriation process. No grants to utility customers for energy conservation improvements could be made after June 30, 2012, at which time the Fund would be terminated. Remaining General Fund money would be returned to the General Fund and remaining matching funds would be returned to the appropriate utility. The bill carries the emergency clause.

The costs to implement LB 385 are expected to be minimal.

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, and expenditure amounts for fiscal years 11-12, 12-13, and 13-14. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Aid, Capital Improvements, and Total.