

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendments on General File.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		0		(\$3,600)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		0		(\$3,600)

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

LB 682, as amended by AM626 and AM1012, creates the Sewer Infrastructure Assistance Act and substantially decreases the original scope of the bill.

The bill provides that a municipality may apply for state assistance for combined sewer overflow improvement projects.

State assistance may be used for financing the construction, acquisition, substantial reconstruction, expansion, operation, improvement, or equipping of combined sewer overflow projects and infrastructure facilities.

State assistance is defined as the amount of state sales tax revenue collected by municipalities on the increase in monthly sewer use fees attributable to a combined sewer overflow project charges collected after July 1, 2011 for cities of the first class, second class, and villages and July 1, 2013 for cities of the metropolitan and primary classes.

LB 682, as amended, defines a combined sewer overflow project as a municipal project to reduce overflows from a combined sewer system pursuant to a long-term control plan approved by the Department of Environmental Quality.

The bill creates an application and approval process; a three-member board to review and approve applications; an audit process to be conducted by the Tax Commissioner; an annual report to the Legislature requirement; and gives the Department of Revenue rule and regulation authority.

The bill also creates the Sewer Infrastructure Fund. Upon certification by the Tax Commissioner of the state sales tax revenues collected by municipalities attributable to the increased fee charged for a combined sewer overflow project, the State Treasurer is to transfer the amount certified from the General Fund to the fund created by LB 682. The board is then to distribute from this fund to municipalities that have approved applications the lesser amount of either the total cost of the project or the total state sales tax collected by the municipality resulting from the sewer project charge.

As amended the bill also states that the distribution of state sales tax revenue to an eligible municipality is contingent upon the municipality using local option sales tax revenue collected on the increase in monthly sewer use fees attributable to the combined sewer overflow project for the same purposes as state revenue is to be used.

The estimated fiscal impact as a result of LB 682 is as follows:

	<u>Combined Sewer Overflow:</u>
FY2011-12:	\$ 0
FY2012-13:	(\$ 3,600)
FY2013-14:	(\$ 3,600)
FY2014-15:	(\$ 594,000)

The ongoing reduction in state General Funds due to the LB 682 as amended will increase annually and is expected to stabilize at approximately \$5.2 million beginning in FY2022-23 and continuing on at that level for a number of years thereafter.

The Department of Revenue has noted that the sales taxes from additional sewer fees are eligible to be refunded to those businesses who have qualified for Tiers 1-4 of the Nebraska Advantage Act. These refunds are available regardless of LB 682; however, the bill could result in some sales taxes being both refunded to the taxpayer and turned back to the city.

The Department of Revenue estimates the cost to implement LB 682 to be minimal.

There is no basis to disagree with the Department's estimate of cost.

LB 682 does not specify which state agency will support the board created by the bill. Given the duties placed upon the board by LB 682 some level of support will probably be necessary and some cost incurred but since no agency is specified, we are unable to allocate or determine the cost.

IMPACT TO LOCAL POLITICAL SUBDIVISIONS:

At this time the only projects we can identify as eligible for assistance under LB 682 as amended are located in Omaha and Plattsmouth. We are unaware of any other municipalities with potential combined sewer overflow projects so the fiscal impact described above applies only to Omaha and Plattsmouth.

