PREPARED BY:	Doug Gibbs
DATE PREPARED:	February 12, 2013
PHONE:	402-471-0051

LB 104

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		($5,579,000)		($5,403,000)
CASH FUNDS		($148,500)		($151,500)
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		($5,727,500)		($5,554,500)

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

LB 104 amends the Nebraska Advantage Act to create a new Tier 7 for renewable energy projects.

For a Tier 7 project a “qualified business” is defined as a business engaged in the production of electricity for sale by using one or more renewable energy sources. Qualified renewable energy sources include wind, solar, geothermal, hydroelectric, and biomass.

The application fee for a Tier 7 project is $2,500 and applications may be filed up to January 1, 2019.

A Tier 7 project must meet the required levels of investment by the fourth year after the year in which the application was submitted and then has an entitlement period that includes the year during which the required increase in investment was met or exceeded and six years thereafter. There is no employment requirement for a Tier 7 project.

For a project that has qualified investment of less than $75 million: the qualified business shall receive a refund of 50% of all sales and use taxes paid on qualified purchases; a refund of an additional 25% of sales and use taxes paid on additional specified purchases of goods and services, lease and easement payments, and qualified contributions to an employee stock ownership plan; and a refund of the remaining 25% of sales and use taxes paid on qualified transactions if the taxpayer is a Nebraska resident or Nebraska residents own at least 25% of the business.

For a project that has qualified investment of more than $75 million: the qualified business shall receive a refund of 75% of all sales and use taxes paid on qualified purchases; a refund of the remaining 25% of sales and use taxes paid if 25% or more of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services.

Incentive amounts are subject to recapture or may be disallowed if investment levels are not maintained as required by statute.

Because the bill does not require a minimum level of investment, it appears that small home, agricultural, or commercial producers of electricity will qualify for the incentive given the state’s net metering statutes, which require power companies to purchase excess electricity generated by these small producers. We believe a number of these producers will file applications.

The Department of Revenue estimates the following fiscal impact to the various funds:

Fiscal Year:	General Fund:	State Highway Capital Improvement Fund:	Highway Allocation Fund:	Nebraska Incentives Fund:	Total:
2013-14:	($ 5,579,000)	($ 216,000)	($ 38,000)	$ 67,500	($ 5,765,500)
2014-15:	($ 5,403,000)	($ 219,000)	($ 39,000)	$ 67,500	($ 5,593,500)
2015-16:	($ 5,482,000)	($ 222,000)	($ 39,000)	$ 67,500	($ 5,675,500)
2016-17:	($ 5,543,000)	($ 224,000)	($ 40,000)	$ 67,500	($ 5,739,500)

The Department estimates minimal cost to implement the provisions of LB 104.

We find no basis to disagree with either the Department of Revenue’s estimate of fiscal impact or cost.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 104	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY: Gary Bush	DATE: February 12, 2013	PHONE: 471-4161
COMMENTS: Agree with the estimate of impact by the Dept. of Revenue. The estimated General Fund revenue loss appears to be reasonable.		

LB 104 — Fiscal Note 2013

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/22/2013
Approved by: Douglas Ewald	Date Prepared: 1/18/2013	Phone: 471-5896

	FY 2013-2014 Expenditures	FY 2013-2014 Revenue	FY 2014-2015 Expenditures	FY 2014-2015 Revenue	FY 2015-2016 Expenditures	FY 2015-2016 Revenue
General Funds		($5,579,000)		($5,403,000)		($5,482,000
Cash Funds		($186,500)		($190,500)		($193,500)
Federal Funds						
Other Funds						
Total Funds		($5,765,500)		($5,593,500)		($5,675,500)

LB 104 creates a Nebraska Advantage Tier 7 for renewable energy projects. The project must produce electricity for sale by wind, solar, geothermal, hydroelectric, or biomass. The entitlement period is seven years. There are two levels of benefits depending on the size of the investment.

Under $75 million: Sales tax refund of 50% of the sales tax paid, another 25% of the tax refunded if over 25% of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services like the C-BED requirement, and another 25% refund if the taxpayer is a Nebraska resident or owned at least 25% by Nebraska residents.

Over $75 million: Sales tax refund of 75% of the sales tax paid, with another 25% of the tax refunded if over 25% of the expenditures are for leases or easements to local property owners, payments to employee stock ownership plans, or for local services such as the C-BED requirement.

The application fee is $2,500 to be credited to the Nebraska Incentives Fund. Amounts are subject to recapture if investment levels are not maintained. No applications for this program will be accepted after January 1, 2019.

LB 104 is expected to impact revenue to the following funds:

Fiscal Year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Nebraska Incentives Fund	Total
2013-14	($5,579,000)	($216,000)	($38,000)	$67,500	($5,765,500)
2014-15	($5,403,000)	($219,000)	($39,000)	$67,500	($5,593,500)
2015-16	($5,482,000)	($222,000)	($39,000)	$67,500	($5,675,500)
2016-17	($5,543,000)	($224,000)	($40,000)	$67,500	($5,739,500)

It is estimated that Departmental cost to implement the bill is minimal.

Major Objects of Expenditure

Class Code	Classification Title	13-14 FTE	14-15 FTE	15-16 FTE	13-14 Expenditures	14-15 Expenditures	15-16 Expenditures
Benefits							
Operating Costs							
Travel							
Capital Outlay							
Aid							
Capital Improvements							
Total							