

Revised for 2022 session

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$9,183,000)		(\$15,439,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		(\$9,183,000)		(\$15,439,000)

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

It is assumed the years listed in the bill will be moved forward one year. The estimates provided for this fiscal note are from the 2021 session, and the years have also been shifted forward one year.

LB 178 seeks to create a turn back tax of state sales tax to help political subdivisions fund sewer and water development projects by establishing the Infrastructure Improvement and Replacement Assistance Act. The percent of the sales tax collected on sewer and potable water fees shall be set aside as follows:

- For July 1, 2022 to June 30, 2023, 36.36%
- For July 1, 2023 to June 30, 2025, 54.54%
- For July 1, 2025 and after, 72.72%

The Infrastructure Improvement and Replacement Assistance Act shall be administered by the Department of Revenue. LB 178 includes the emergency clause and will be operative immediately once passed.

Revenue:

The Department of Revenue estimates the following impact to General Fund revenues due to the turning back of state sales tax to municipalities:

- FY22-23: (\$9,183,000)
- FY23-24: (\$15,439,000)
- FY24-25: (\$16,723,000)
- FY25-26: (\$23,007,000)

The reduction in General Fund revenue will be distributed to municipalities dependent on the sales tax collected on sewer and potable water fees. It is assumed the amount will be relatively correlated to the size of the city. For example, the City of Omaha estimates \$3.5 million and \$5.9 million in revenue for FY22-23 and FY23-24. The City of Lincoln estimates \$1 million and \$2 million in revenue for each year of the biennium. All other municipalities will make up for roughly half of the turned back state sales tax. There is no basis to disagree with these estimates.

The impact to counties appears to be negligible. Lancaster County estimates no fiscal impact as a result of LB 178. There is no basis to disagree with this estimate.

Expenditures:

The Department of Revenue estimates no additional cost to implement LB 178. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 178	AM:	AGENCY/POLT. SUB: City of Omaha	
REVIEWED BY: Lee Will	DATE: 01/25/2021	PHONE: (402) 471-4175	
COMMENTS: The City of Omaha's assessment of fiscal impact seems reasonable given the assumptions used.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 178 AM: AGENCY/POLT. SUB: Lancaster County

REVIEWED BY: Lee Will DATE: 01/19/2021 PHONE: (402) 471-4175

COMMENTS: Concur with Lancaster County's assessment of no fiscal impact.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA:	
Approved by: Tony Fulton		Phone: 471-5896	
Date Prepared:			
	FY 2021-2022	FY 2022-2023	FY 2023-2024
	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
General Funds	\$9,183,000	\$15,439,000	\$16,723,000
Cash Funds			
Federal Funds			
Other Funds			
Total Funds	\$9,183,000	\$15,439,000	\$16,723,000

LB 178 Section 1 establishes the Infrastructure Improvement and Replacement Assistance Act (Act).

Section 2 provides the purpose of the Act is to address the critical need to redevelop and replace obsolete sewer and water facilities by funding this need through a turnback of state sales tax revenue. The Legislature also finds it to be in the public interest to permit municipalities and sewer and water utilities to reissue bonds secured by amounts received under the Act and other sources.

Section 3 defines political subdivision as any local governmental body formed and organized under state law and any joint entity or joint public agency created under the Interlocal Cooperation Act or the Joint Public Agency Act which has statutory authority to issue general obligation bonds. Sewer and water utilities mean those that are operated by a political subdivision.

Section 4 provides that the State will pay to each political subdivision, sewer utility, or water utility a percentage of state sales tax imposed on sewer and potable water fees and collected by such political subdivision as follows:

- Sales taxes imposed from July 1, 2021 through June 30, 2022: 36.36%.
- Sales taxes imposed from July 1, 2022 through June 30, 2024: 54.54%.
- Sales taxes imposed on and after July 1, 2024: 72.72 %.

Section 4 also lists the exclusive uses for these funds. One such use is to defer increases in sewer and water rates. Each political subdivision receiving funds under this Act must include in its budget statement, the amount of funds received and the percentage by which its sewer and water rates would have increased if not for the funds.

Section 5 provides that the Department of Revenue (DOR) shall adopt and promulgate rules and regulations necessary to carry out the Act.

The estimated fiscal impact to General Fund revenues is as follows:

Fiscal Year	Increase in General Fund Expenditure
2021-22	\$ 9,183,000
2022-23	\$15,439,000
2023-24	\$16,723,000
2024-25	\$23,007,000

It is estimated that there will be minimal costs to the DOR to implement this bill.

This bill contains an emergency clause and becomes law upon enactment.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>21-22 FTE</u>	<u>22-23 FTE</u>	<u>23-24 FTE</u>	<u>21-22 Expenditures</u>	<u>22-23 Expenditures</u>	<u>23-24 Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total						

Please complete ALL (5) blanks in the first three lines.

2021

LB⁽¹⁾ 178

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Omaha

Prepared by: ⁽³⁾ Tyler Leimer Date Prepared: ⁽⁴⁾ 1/21/2021 Phone: ⁽⁵⁾ (402) 444-4514

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	\$3,555,210	_____	\$5,907,459
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Bill 178 proposes to return a portion of the state sales tax collected on water and sewage service to political subdivisions or water utility that operate such systems to assist in repairs and improvements to such systems.

Refunds of sales taxes would be on the following schedules:

- For sales taxes imposed from July 1, 2021, through June 30, 2022: 36.36 percent;
- For sales taxes imposed from July 1, 2022, through June 30, 2024: 54.54 percent; and
- For sales taxes imposed on and after July 1, 2024: 72.72 percent.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====

Please complete ALL (5) blanks in the first three lines.

2021

LB⁽¹⁾ 178

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ James Van Bruggen Date Prepared: ⁽⁴⁾ 1/26/21 Phone: ⁽⁵⁾ 402-441-8301

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Estimated \$1 million to \$ 2 million in revenue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2021

LB⁽¹⁾ 178

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-15-21 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No Fiscal Impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____