

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | FY 2016-17 | | FY 2017-18 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | 74,404,000 | | 74,404,000 |
| CASH FUNDS | | (63,244,000) | | (63,244,000) |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | 11,160,000 | | 11,160,000 |

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

LB 671 would repeal the statutory provision directing that revenue generated from one-quarter of one percent of the general sales tax be split 85% to the State Highway Capital Improvement Fund and 15% to the Highway Allocation Fund. The money deposited into the State Highway Capital Improvement Fund is used for the construction of the expressway system, federally designated high priority corridors, and other high priority projects determined by the Department of Roads. The money deposited into the Highway Allocation Fund is used by cities and counties for road construction/maintenance. The operative date is July 1, 2016, and the bill directs that any money in the State Highway Capital Improvement Fund be transferred to the General Fund on that date.

Department of Roads – Fiscal Impact

In FY2014-15, the Department of Roads received \$63,244,000 from their share of the one-quarter of one percent sales tax to use for expressways, high priority corridors and other high priority projects. The fiscal impact of LB671 will be a loss of this revenue, approximately \$63,244,000 per year.

The bill also requires the transfer of any money in the State Highway Capital Improvement Fund to the General Fund on July 1, 2016. The fund balance as of December 31, 2015 was \$38,088,126, however, the department has indicated that contractual obligations of \$115 million currently exist. Based on this level of obligations, it is estimated that the fund balance plus the additional revenue to be received between now and the end of this fiscal year will still be short of the amount needed to liquidate all of the obligations. Therefore it is assumed that the amount left in the fund to transfer will be minimal.

Cities and Counties – Fiscal Impact

In FY2014-15, the cities and counties received a combined \$11,160,000 from their share of the one-quarter of one percent sales tax to use for road construction and maintenance. The fiscal impact of LB671 will be a loss of this revenue, approximately \$11,160,000 per year.

General Fund – Fiscal Impact

With the passage of LB 671 the sales tax revenue currently being deposited into the State Highway Capital Improvement Fund and the Highway Allocation will now be deposited into the General Fund. The fiscal impact will be an increase in revenue of approximately \$74,404,000 annually.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | |
|--|----------------|----------------------------------|
| LB: 671 | AM: | AGENCY/POLT. SUB: Dept. of Roads |
| REVIEWED BY: Lyn Heaton | DATE: 2/2/2016 | PHONE: 471-4181 |
| COMMENTS: The Department of Road's estimate of \$63 million fully annualized loss to the State Highway Capital Improvement Fund appears reasonable based on the revenue attributable to the Build Nebraska Act during FY 2014-15. The reduction of revenue to Roads will increase General Fund revenue by the same amount, which is not reflected in the Department's fiscal note. In addition, the Department's fiscal note does not reflect the transfer of the balance in the State Highway Capital Improvement Fund on the effective date of the bill to the General Fund as is provided in section 1. Finally, the bill will also result in a loss of revenue for distribution to cities and counties under the Build Nebraska Act. | | |

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

2016

LB⁽¹⁾ 671

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Roads

Prepared by: ⁽³⁾ Becky Fleming

Date Prepared: ⁽⁴⁾ 1/11/16

Phone: ⁽⁵⁾ (402) 479-4692

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2016-17</u> | | <u>FY 2017-18</u> | |
|--------------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | (63,000,000) | _____ | (63,000,000) |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | ===== | ===== | ===== | ===== |

Explanation of Estimate:

LB 671 repeals the Build Nebraska Act (BNA). This bill removes Section C of statute 77-27,132 which allows for ¼ of 1% of general fund sales tax revenue for BNA. The State Highway Capital Improvement Fund will be terminated and the any money in the fund will be transferred to the State General Fund on July 1, 2016.

The BNA has provided Department of Roads additional funding for surface transportation needs. Since the funds first became available in the fall of 2013 the Department has received \$146 million and has used \$110 million towards projects meeting the criteria for BNA funds.

The Department has programmed BNA projects totaling \$633 million. Currently \$115 million is under contract, plus an additional \$93 million is scheduled to be let to contract before June 30, 2016 for a total commitment of \$208 million. If this legislation were to pass, these projects will be stopped or an alternative funding stream would need to be found.

Fiscal impact to the Department will be the loss of the \$63 million of BNA funds per year.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2016-17</u> | <u>2017-18</u> |
|---------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>16-17</u> | <u>17-18</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | (63,000,000) | (63,000,000) |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | ===== | ===== | ===== | ===== |