

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		(\$6,700,000)		(\$6,125,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>		(\$6,700,000)		(\$6,125,000)

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

LB 441 amends provisions regarding refunds to municipalities pursuant to the Employment and Investment Growth Act or the Nebraska Advantage Act.

The bill requires notification to a municipality liable for refunds exceeding \$1,500. Notification must be made by March 1, 2020, and each March 1 thereafter. Notification must include any excess or underpayment from the prior calendar year. The department must deduct refunds over a period of one year in equal monthly installments beginning after the notification. The requirements apply to total annual refunds exceeding \$1 million owed by any city of the metropolitan class of primary class.

**Revenue:**

The Department of Revenue estimates revenue to the general fund as follows:

	General Fund
FY 19-20	(\$6,700,000)
FY 20-21	(\$6,125,000)
FY 21-22	(\$2,000,000)
FY 22-23	(\$500,000)

**Expenditures:**

The Department of Revenue indicates that the cost to implement the bill will be minimal.

There is no basis to disagree with these estimates.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 441	AM:	AGENCY/POLT. SUB: City of Lincoln	
REVIEWED BY: Lee Will	DATE: 1/30/2019	PHONE: (402) 471-4175	
COMMENTS: The City of Lincoln's assessment of fiscal impact seems reasonable.			

**State Agency Estimate**

State Agency Name: Department of Revenue		Date Due LFA: 2/26/19				
Approved by: Tony Fulton		Phone: 471-5896				
Date Prepared: 2/25/19						
	<b>FY 2019-2020</b>		<b>FY 2020-2021</b>		<b>FY 2021-2022</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		(\$ 6,700,000)		(\$ 6,125,000)		(\$ 2,000,000)
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>		(\$ 6,700,000)		(\$ 6,125,000)		(\$ 2,000,000)

LB 441 provides that the Department of Revenue must provide notification to a municipality of a refund claim made pursuant to the Employment and Investment Growth Act or the Nebraska Advantage Act of more than \$1,500. The notice of the refunds claimed and any excess underpayment from the prior calendar year must be made each March 1 beginning in 2020. The Department must deduct the refund amount by equal monthly amounts over a one year period beginning after notification is issued.

For cities of the metropolitan class or cities of the primary class, the notice and delayed deduction requirements apply only where total annual refunds exceed \$1 million.

The Department is unsure as to the notification requirement for refunds over \$1,500 since the section applies only to Lincoln and Omaha if refunds are more than \$1 million annually. This fiscal note assumes that this section serves only to delay notification until shortly before the next succeeding March 1 and then further delays recovery of the refund amounts until the next succeeding January 1. The Department also assumes that the refund was paid to the appropriate incentive company without delay. This results in an average delay between payment to the company and recovery from the city for refunds to Lincoln and Omaha of 17 months versus 12 months for other cities covered by the language in Neb. Rev. Stat. § 77-27,144(2) when fully implemented. Because the bill would be effective three months after the end of the session, the first year impact only delays incentive refunds processed between September 6, 2019 through March 1, 2020, and the delay would be about 13 months. The subsequent years represent the estimated increase of incentive refunds recovered from Lincoln and Omaha from the prior year.

Based on refunds processed since 2015 and using an estimated projection of refunds for Lincoln and Omaha, it is estimated that the decrease to General Fund revenues will be as shown in the following chart. As the refunds from Lincoln do not exceed \$1 million in a year, these numbers are based on Omaha refunds only.

	Decrease to General Fund Revenues
FY 2019-20	\$ 6,700,000
FY 2020-21	\$ 6,125,000
FY 2021-22	\$ 2,000,000
FY 2022-23	\$ 500,000

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

<b>Major Objects of Expenditure</b>								
<u>Class Code</u>	<u>Classification Title</u>							
		<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	<u>19-20</u>	<u>20-21</u>	<u>21-22</u>	
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>	
	Benefits.....							
	Operating Costs.....							
	Capital Outlay.....							
	<b>Total.....</b>							

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**2019**

**LB<sup>(1)</sup> 441**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> City of Lincoln

Prepared by: <sup>(3)</sup> James Van Bruggen Date Prepared: <sup>(4)</sup> 1/24/19 Phone: <sup>(5)</sup> 441-8301

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

Smoothing out sales tax refunds provides more predictable cash flows and calculable budgeting for municipalities.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>