PREPARED BY: Scott Danigole
DATE PREPARED: February 05, 2008
PHONE: 471-0055

LB 921

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2008-09		**FY 2009-10**	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	224,960		224,960	
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 921 creates the Nebraska Energy Independence Act.

Section 3 creates the Nebraska Energy Council (the council) with the purpose of bringing together government entities related to energy policy to communicate, coordinate, and collaborate efforts to meet the goals of advancing energy efficiency in the state. The council shall consist of twelve members representing various energy related state agencies and entities as well as community organizations. The council shall meet quarterly and officers shall hold their offices for staggered two year terms.

Section 4 provides the council with duties including, but not limited to:

- Review of the federal Energy Independence and Security Act of 2007;
- Hiring a director for the office;
- Evaluating the organizational structure of the office and recommending any necessary changes to the Legislature;
- Acting as a forum for discussing key issues, problems, and solutions regarding energy efficiency, and;
- Sharing ideas for best practices on environmental and energy issues in government.

The bill's provisions attempt to remove the Nebraska Energy Office from the Governor's Office and re-establish it as an independent agency called the Nebraska Office of Energy Independence (the office).

Section 8 provides powers and duties for the director of the office. These include things such as:

- Coordinate and collaborate efforts between boards and commissions involved with energy policy;
- Pursue new research and investment funds from federal and private sources;
- Lead outreach efforts concerning renewable energy, renewable fuels, and energy efficiency;
- Advise the council, the Governor, and the Legislature concerning renewable energy, fuels and energy efficiency policy and legislation;
- Establish performance measures for determining effectiveness of renewable energy, fuels and efficiency efforts;
- Ensure compliance with the federal Energy Independence and Security Act of 2007, and;
- Submitting an annual report to the council for approval and eventual submission to the Legislature and Governor.

Section 13 redirects up to $300,000 of Severance Tax Funds from the State Energy Office to it's successor, the Nebraska Office of Energy Independence.

For the most part, state agencies have reported no fiscal impact due to the provisions of LB 921. The Nebraska Ethanol Board reported an estimated impact of $3,000 in fiscal year 2008-09 and $6,000 in fiscal year 2009-10. This is due to their assumption of being required to pay a portion of the administrator's salary. The bill's provisions do not require this and it is assumed that the director of the office will have his or her salary paid from funds appropriated to the Nebraska Office of Energy Independence. For this reason, the Ethanol Board's estimate is not included in the table above.

The Governor's Office is impacted by the bill's provisions relative to the Governor's Office's structure and staffing for the Policy Research Office and the existing State Energy Office.

In regard to the new council and office, the Policy Research Office estimates the travel and operating costs to be $55,000 per year. This estimate is based on an assumed four meetings per year and the related travel and per diem costs for council members and staff. There is no basis to disagree with this estimate. In addition, the Policy Research Office provides estimates the new director and an Energy Council Coordinator's salary and benefits. There is no basis to disagree with those estimates.

Start-up costs for the new office and ongoing expenses for things such as supplies, office space, communications expenses, etc. have not been captured. For the purposes of this note, first year start-up costs of $25,000 and annual overhead costs of $15,000 have been assumed. First year start-up costs would cover such items as: 2 computers, one printer, 2 desks, file cabinets, initial office supplies and the like. Overhead costs would cover such items as rent, communications expenses, Internet service, and other recurring costs associated with running and maintaining an office.

With the section 13 redirection of Severance Tax Funds, the Nebraska Office of Energy Independence will have $300,000 per year of Cash Funds from which to pay these costs. Using the estimates provided by the Policy Research Office and the start-up and ongoing costs identified in the paragraph above, the Nebraska Office of Energy Independence would receive an appropriation of $264,960 in fiscal year 2008-09 and $239,960 beginning in fiscal year 2009-10. Since the Energy Office would no longer receive the $300,000 from Severance Taxes, that appropriation would be reduced. The offsetting nature of these appropriations results in no net impact and, therefore, no Cash Fund figures in the table above.

The manner in which LB 921 removes the State Energy Office from statute and replaces it with the Nebraska Office of Energy Independence may result in several unintended and unanticipated circumstances. Section 5 of the bill strikes language creating the State Energy Office. Throughout the bill, references to the State Energy Office are replaced with reference to the Nebraska Office of Energy Independence. However, due to the splitting of duties between the Nebraska Energy Office and the Policy Research Office, as well as Federal Funds and matching dollars, there may be greater costs than anticipated. The bill, as written, does not allow for a simple separation of the Nebraska Energy Office from the Governor's Office (Agency 7) and establishing it as a separate state agency charged with current Energy Office duties plus some additional duties as described in the bill.

As the bill is written, the Governor's Office estimates a General Fund cost of $224,960 per year. There is no basis to disagree with this estimate.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	David J. Spatz	DATE 1/25/08	PHONE 471-2526

COMMENTS

DEPARTMENT OF ECONOMIC DEVELOPMENT: Concur, no fiscal impact for the Department of Economic Development

NEBRASKA ETHANOL BOARD: Concur with Nebraska Ethanol Board's analysis, however, the Cash Fund fiscal impact can be absorbed within the current appropriations to the Board.

GOVERNOR: Concur with Governor's Policy Research Office analysis and estimate of increased General Fund expenditures fiscal impact.

DEPARTMENT OF NATURAL RESOURCES: Concur, no fiscal impact for the Department of Natural Resources.

NEBRASKA POWER REVIEW BOARD: Concur, no fiscal impact for the Nebraska Power Review Board.

UNIVERSITY OF NEBRASKA: Concur with University of Nebraska's analysis and estimate of no direct fiscal impact.