

**FISCAL NOTE**  
LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2007-08</b>		<b>FY 2008-09</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		See below		See below
CASH FUNDS		See below		See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See below		See below

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

Under current law, a state tax of 64¢ is imposed on each package of cigarettes containing 20 or fewer cigarettes. For packages containing more than 20 cigarettes, an additional tax on each cigarette in excess of 20 is assessed at a rate of one-twentieth of 64¢. Current law also provides that the equivalent of 49¢ of the cigarette tax, less adjustments as provided in Sec 77-2602, is to be credited to the General Fund. These “hold harmless” adjustments effectively result in assurance that a minimum fixed dollar amount is annually credited to several other funds to which cigarette tax receipts accrue.

For the five-year period 10/1/2007 to 10/1/2012, LB42 suspends distribution of cigarette tax receipts to the General Fund and directs that the equivalent of 49¢ of cigarette tax receipts is to be credited to the Highway Allocation Fund. The bill would also effectively suspend the existing “hold harmless” provisions that assure minimum fixed dollar amounts are credited to certain other funds.

The following represents a comparison of the distribution of actual 2005-06 cigarette tax receipts versus an estimate of the distribution had the provisions of LB42 been in effect.

	Actual 2005-06	LB 42 2005-06	LB 42 vs. Current Law 2005-06	
<b><u>Distribution of Cigarette Tax Receipts</u></b>				
General Fund	46,363,244	-0-	(46,363,244)	[1]
<i>Highway Allocation Fund</i>	-0-	50,408,885	+ 50,408,885	[2]
Nebraska Outdoor Recreation Development Fund	1,309,039	1,028,753	(280,286)	[3]
Health & Human Services Finance & Support Cash Fund	3,927,116	3,086,258	(840,858)	[4]
Building Renewal Allocation Fund	9,163,271	7,201,269	(1,962,002)	[5]
Municipal Infrastructure Redevelopment Fund	520,000	520,000	-0-	[6]
Information Technology Infrastructure Fund	2,057,506	2,057,506	-0-	[7]
City of the Primary Class Development Fund	1,000,000	1,000,000	-0-	[8]
City of the Metropolitan Class Development Fund	1,500,000	537,505	(962,495)	[9]
Nebraska Capital Construction Fund	-0-	-0-	-0-	[10]
	65,840,176	65,840,176	-0-	

[1] No distribution under LB 42 versus equivalent of 49¢ less “hold harmless” adjustments under current law.

[2] Equivalent of 49¢ versus no distribution under current law. Revenue credited to the Highway Allocation Fund is distributed to cities and counties for street and road construction.

[3] Equivalent of 1¢ under LB42 versus minimum fixed dollar “hold harmless” amount under current law.

[4] Equivalent of 3¢ under LB42 versus minimum fixed dollar “hold harmless” amount under current law.

[5] Equivalent of 7¢ under LB42 versus minimum fixed dollar “hold harmless” amount under current law.

[6] Fixed dollar amount under LB42 as well as under current law.

[7] Equivalent of 2¢ under LB42 as well as under current law.

[8] Fixed dollar amount under LB42 as well as under current law.

[9] Fixed dollar amount under LB42 as well as under current law. However, insufficient funds would remain to fully meet \$1,500,000 fixed dollar amount for allocation to this fund under LB42. LB42 contains no provision to make up shortfall.

[10] No amount remains for distribution to this fund under LB42 or current law.

The revised distribution of cigarette tax receipts under LB42 is to be in effect for the five-year period 10/1/2007 to 10/1/2012, after which the distribution of receipts is to revert to provisions of current law. If (1) annual cigarette tax receipts are assumed to hold constant over the affected time period, (2) if it is assumed that distributions were administered as though current law were in effect for one quarter of FY2007-08 and provisions of LB42 were in effect for three quarters of the fiscal year, and (3) if it is assumed that distributions were administered as though provisions of LB42 were in effect for one quarter of FY2012-13 and provisions of current law were in effect for three quarters of the fiscal year, the five-year revenue impacts for the funds affected by LB42 are estimated as follows:

	<u>LB 42 Five-Year Revenue Impact</u>
General Fund	(231,816,220)
<i>Highway Allocation Fund</i>	<i>+252,044,425</i>
Nebraska Outdoor Recreation Development Fund	(1,401,430)
Health & Human Services Finance & Support Cash Fund	(4,204,290)
Building Renewal Allocation Fund	(9,810,010)
Municipal Infrastructure Redevelopment Fund	-0-
Information Technology Infrastructure Fund	-0-
City of the Primary Class Development Fund	-0-
City of the Metropolitan Class Development Fund	(4,812,475)
Nebraska Capital Construction Fund	<u>-0-</u>
	-0-

Impacts on revenue credited to funds affected by the provisions of LB42 will be influenced by changes in cigarette tax receipts over the relevant time period. The above estimates assume constant annual cigarette tax receipts. Adjusting for the tax rate change that occurred in FY2002-03, cigarette tax receipts have declined in nine of the past ten fiscal years. Distribution of cigarette tax receipts in FY2007-08 and 2012-13, during which the provisions of LB42 would be in effect for only portions of the fiscal year, may be subject to interpretation of the provisions of the bill by the State Treasurer. The State Treasurer is charged with responsibility for distribution of cigarette tax receipts among the various funds to which amounts are to accrue.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	3/7/07	PHONE	471-2526
COMMENTS					
DEPT. OF REVENUE – The agency analysis appears reasonable.					
DEPT. OF ROADS - – The agency analysis appears reasonable.					
GAME AND PARKS COMMISSION - – The agency analysis appears reasonable.					