

Revised to include agency response

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2021-22 | | FY 2022-23 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | See below | See below | See below | See below |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | See below | See below | See below | See below |

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

LB 408 seeks to adopt the Property Tax Request Act. Under LB 408, a property tax request is defined as the total amount of property taxes requested to be raised for a political subdivision through a levy. Real growth value is defined as the increase in real property valuation through improvements or annexation.

LB 408 dictates that any political subdivision that levies property tax cannot request a tax amount that exceeds the prior year by more than 3%, except in cases where a majority of registered voters vote in support of such a levy through a special, primary, or general election. The limit on property tax requests does not apply to:

- Any portion of a property tax request that is needed to pay off principal or interest on approved bonds;
- Any portion of a property tax request that is derived from the real growth value of the political subdivision.

At a statewide level, the average real growth in property value for the last 10 years has been 0.98%, while the average growth in property taxes levied has been 4.4%, excluding payments to bonds. Under LB 408, a given political subdivision could grow their property tax request by 3.98%, given the average real growth in property value of 0.98%. This would indicate that LB 408 will lead to a state-wide budget impact of -0.42% per year for the state’s political subdivisions, although this could vary significantly by location and type of subdivision.

The Department of Revenue estimates no fiscal impact to the state due to LB 408. There is no basis to disagree with this estimate.

The Department of Education estimates no fiscal impact to the state due to LB 408. There is no basis to disagree with this estimate.

Douglas County estimates that in areas with substantial property value growth due to demand in the real estate market, revenue will be less than anticipated. Furthermore, administrative costs would increase for subdivisions wanting to submit their requests to the voters to allow for a request greater than 3%. There is no basis to disagree with this estimate.

LB 408 would become operative January 1, 2022.

| | | | |
|--|------------------|---|--|
| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
| LB: 408 | AM: | AGENCY/POLT. SUB: Department of Revenue | |
| REVIEWED BY: Lee Will | DATE: 01/25/2021 | PHONE: (402) 471-4175 | |
| COMMENTS: Concur with the Department of Revenue’s assessment of no fiscal impact. | | | |

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

LB: 408 AM: AGENCY/POLT. SUB: Douglas County

REVIEWED BY: Lee Will DATE: 01/25/2021 PHONE: (402) 471-4175

COMMENTS: Disagree with Douglas County's assessment of negative fiscal impact as the bill provides for up to 3% growth in property taxes over the previous tax year. This limitation also does not apply to real growth derived for a political subdivision and allows for an override of this limitation by a majority of registered voters voting on the issue.

State Agency Estimate

| State Agency Name: Department of Revenue | | Date Due LFO: | | | |
|--|-------------|-----------------|-------------|--------------|-------------|
| Approved by: Tony Fulton | | Phone: 471-5896 | | | |
| Date Prepared: 1/22/2021 | | | | | |
| FY 2021-2022 | | FY 2022-2023 | | FY 2023-2024 | |
| Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Cash Funds | | | | | |
| Federal Funds | | | | | |
| Other Funds | | | | | |
| Total Funds | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

LB 408 adopts the Property Tax Request Act (Act), incorporating Neb. Rev. Stat. §§ 77-1601, 77-1776, 77-1601.02, as amended, into the Act.

Section 2 defines approved bonds, political subdivision, property tax request, and real growth value. Approved bonds is defined as bonds that are issued by a political subdivision after it has been approved by voters of the political subdivision. Political subdivision is defined as any county, city, village, school district, learning community, sanitary and improvement district, natural resources district, educational service unit, or community college. Property tax request is defined as the total amount of property taxes requested to be raised for a political subdivision through the levy imposed pursuant to Neb. Rev. Stat. § 77-1601. Real growth value is defined as the increase in real property valuation due to (a) improvements to real property as a result of new construction and additions to existing buildings, (b) any other improvements to real property which increase the value of such property, and (c) annexation of property by the political subdivision.

Section 4 adopts new provisions to limit the amount that a political subdivision is able to increase its property tax request over their property tax request from the prior year to no more than three percent, except that the limit does not apply to the portion of the property tax request needed to pay the principal and interest on approved bonds or the portion derived from the real growth value. A political subdivision may exceed this three percent growth limit by an amount approved by registered voters at an election where the issue is placed before those voters, if the governing body of the political subdivision passes a resolution calling for the limit to be exceeded that includes the amount requested in excess of the limit. A copy of the resolution must be delivered to the county clerk or election commissioner in all affected counties, no later than 30 days prior to the date of the election. Any resolution calling for a special election must be filed with the county clerk or election commissioner no later than 30 days prior to the date of the election, and the notice must be published no later than twenty days prior to the election.

Sections 3, 5, and 6 amend Neb. Rev. Stat. §§ 77-1601.02, 77-1601, and 77-1776, respectively, to harmonize provisions.

LB 408 has an operative date of January 1, 2022.

It is estimated that LB 408 will have no impact on General Fund revenues, and no cost in implementation.

Major Objects of Expenditure

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

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

2021

LB⁽¹⁾ 408

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NE Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/19/21 Phone: ⁽⁵⁾ 402-471-4320

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:

LB 408 limits the property tax request growth for a political subdivision to a 3% increase from the prior year plus the real growth value of the property in the political subdivision without a vote of the patrons in the political subdivision.

Political subdivisions are allowed to exceed the three percent limit if the patrons of the district approve the increase by a majority vote.

The real growth value increase in property would include increases in valuation due to the following; new construction, additions, other modifications increasing value, or annexations of property.

There is no fiscal impact to NDE or the State, but this bill could result in significant lost funds for political subdivisions including schools and educational service units. Schools or ESU's that receive a reduction in other funding sources including State Aid may not be able to make up for lost State funding due to the limit on property tax growth.

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

LB408⁽¹⁾ *Adopt the Property Tax Request Act*

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ DOUGLAS COUNTY, NEBRASKA

Prepared by: ⁽³⁾ Marcos San Martin, County Administration Date Prepared: ⁽⁴⁾ 1/22/2021 Phone: ⁽⁵⁾ 402.444.5116

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 | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

Explanation of Estimate:

NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY

The requirements of LB408 create the potential for a significant loss of anticipated tax revenue to all political subdivisions. Considering that real property values in Douglas County have increased on average by 7% or more in each of the two prior tax years alone (driven by the real estate market), a tax request limit of an arbitrary "3%" as proposed by LB408, would result in a significant reduction of anticipated revenue. In addition, the process outlined by LB408 for a revenue allowance beyond the "3%" limit, would require the issue to be placed for consideration by voters, creating additional referendum costs and/or the potential costs of a special election(s).

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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