

Revised to reflect AM3313

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|------------------------|------------------------|----------------------|------------------------|
| | FY 2024-25 | | FY 2025-26 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | (\$16,169,496) | (\$401,865,000) | (\$87,005,850) | (\$600,627,000) |
| CASH FUNDS | \$1,173,968,374 | | \$1,205,553,362 | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$1,157,798,878 | (\$401,865,000) | \$118,547,512 | (\$600,627,000) |

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

AM3313 eliminates the income tax credit for school district property taxes paid & replaces it with Allocated Property Tax funding that goes to school districts through the Tax Equity & Educational Opportunities Support Act (TEEOSA) formula based on the districts share of the total property tax request for all school districts in the State excluding their bond related tax asking.

The total amount of Allocated Property Tax funding for FY2024-25 to be paid to school districts is \$750,000,000 & will increase by \$30,000,000 each year thereafter.

The foundation aid section of TEEOSA is increased from \$1,500 per formula student to \$3,000 per formula student.

AM3313 also moves the 40% of the foundation aid amount that is not included in the resource calculation for determining equalization aid within the TEEOSA formula from FY2025-26 to FY2024-25.

LB1331 amends several sections regarding the policies on truancy/attendance & option enrollment, it also clarifies the language related to the powers & duties of the Nebraska Department of Education (NDE).

EXPENDITURES:

The changes within the TEEOSA formula creates an estimated increase in aid of \$1,157,642,001 for FY2024-25 & \$1,118,547,512 for FY2025-26.

| | Difference (2024-25) | Difference (2025-26) | Difference (2026-27) |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| State General Funds | (\$16,326,370) | (\$87,005,850) | (\$86,066,107) |
| Ed. Future Fund – Allocated Prop. Tax | \$750,000,000 | \$780,000,000 | \$810,000,000 |
| Ed. Future Fund – Foundation Aid | \$423,968,374 | \$425,553,362 | \$427,345,753 |
| Total Change in TEEOSA | \$1,157,642,004 | \$1,118,547,512 | \$1,151,279,646 |

The Department of Revenue estimates the need for \$156,874 for the OCIO to remove a line from 1040N, NebFile for Individuals, 1120N, 1141N, & 1065N.

REVENUES:

The Department of Revenue estimates that the sunseting the school district property tax credit under the Property Tax Incentive Act will have the following impact to the General Fund revenues:

| Fiscal Year: | General Fund Revenues: |
|--------------|------------------------|
| 2024-25 | \$565,135,000 |
| 2025-26 | \$649,373,000 |
| 2026-27 | \$674,016,000 |
| 2027-28 | \$699,593,000 |

The bill also increases the amount transferred from the General Fund to the Education Future Fund by \$967 million in FY24-25 and \$1.25 billion in FY26-27 and thereafter. This transfer is offset by the gain from repealing the income tax credit, but results in a loss to the General Fund.

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

2024

LB⁽¹⁾ 1331 AM 3313

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 4/3/24 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2024-25</u> | | <u>FY 2025-26</u> | |
|---------------|------------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | \$1,157,642,001 | _____ | unknown | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u>\$1,157,642,001</u> | _____ | <u>unknown</u> | _____ |

Explanation of Estimate:

AM 3313 eliminates the income tax credit for school district taxes paid and replaces it with Allocated Income Tax funding that goes to school districts through the TEEOSA formula based on the districts share of the total property tax request for all school districts in the State excluding bond related tax asking. The total amount of allocated income tax funding for 2024/25 to be paid to school districts is \$750 million with \$780 million the following year.

AM 3313 also increases the foundation aid amount to \$3,000 per student which is an increase of \$1,500 per student from the current amount of foundation aid. Additionally, this amendment moves the year up to 2024/25 when 40 percent of the foundation aid amount is not included in the resource calculation for determining equalization aid within the TEEOSA formula. The amount of foundation aid for 2025/26 cannot be determined at this time.

This amendment has the emergency clause and voids the current certified 2024/25 TEEOSA amount.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2024-25 EXPENDITURES</u> | <u>2025-26 EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>24-25</u> | <u>25-26</u> | | |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | \$1,157,642,001 | unknown |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | <u>\$1,157,642,001</u> | <u>unknown</u> |

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 04/04/2024

Phone: 471-5896

Table with columns for FY 2024-2025, FY 2025-2026, and FY 2026-2027, each with sub-columns for Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 1331 amended by AM 3313 strikes the original sections of LB 1311 and inserts the following new sections:

Section 1 and 2 of AM 3313 amends the Property Tax Incentive Act. Specifically, the school district property tax credit is sunset and applies to tax years beginning before January 1, 2024. In addition, the allowable growth percentage definition and the provisions calculating the school district property tax credits for tax years beginning on or after January 1, 2024 are repealed. The community college property tax credit in Neb. Rev. Stat. § 77-6706 is not amended by AM 3313.

Sections 3 to 12 amends the Tax Equity and Education Opportunities Support Act (TEEOSA).

Section 5 provides the following:

- Subsection 5(1) defines property tax request as meaning the total amount of property taxes requested to be raised for a school district through the levy imposed under Neb. Rev. Stat. § 77-1601, excluding the amount levied for the payment of principal or interest on bonds that have been approved by the voters of such school district.
- Subsection 5(2) - for school FY2024-25 and each school fiscal year thereafter, allocated property tax funds must be paid to school districts as provided in this section. The State Department of Education must calculate the allocated property tax funds to be paid to each school district as follows:
- For school FY2024-25, the amount paid to each school district must be equal to the total amount available for payment under section 5(3) multiplied by a percentage. The percentage equals the property tax request of the school district in the preceding property tax year divided by the cumulative total of the property tax requests of all school districts for the preceding property tax year; and
- For school FY2025-26 and after, the amount paid to each school district must be equal to the total amount available for payment under section 5(3) multiplied by a percentage. The percentage equals the property tax request of the school district in the preceding property tax year plus the amount of allocated property tax funds paid to such school district in the preceding school fiscal year divided by the cumulative total of the property tax requests of all school districts for the

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, and FTE/Expenditures for years 24-25, 25-26, and 26-27. Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and Total.

preceding property tax year plus the amount of allocated property tax funds paid to all school districts in the preceding school fiscal year.

- Subsection 5(3) provides:
 - For school FY2024-25, the total amount of allocated property tax funds paid to school districts will be \$750 million.
 - For school FY2025-26 and after, the total amount of allocated property tax funds paid to school districts will be the total amount from the preceding school fiscal year plus \$30 million.
- Subsection 5(4): 100% of the allocated property tax funds paid each school fiscal year under this section is paid from money appropriated from the Education Future Fund.
- Subsection 5(5): allocated property tax funds are not included as a formula resource under § 79-1017.01

Section 6 amends § 79-1006 to increase the foundation aid paid in each school fiscal year to \$3,000 multiplied by the number of formula students for each school district. It increases the percentage of foundation aid paid each school fiscal year from the Education Future Fund to 57.3%. For school FY2024-25 and after, 60% of foundation aid must be included as a formula resource under § 79-1017.01.

Section 7 amends the Education Future Fund to provide that the State Treasurer must transfer \$1.217 billion from the General Fund in FY2024-15. In addition, it is the Legislature’s intent that \$1.5 billion will be transferred from the General Fund to the Education Future Fund in FY2025-26 and each fiscal year thereafter.

Section 8 to 12 amends the dates in §§ 79-1022, 79-1023, and 79-1031.01 from 2023 to 2024, and § 79-1022.02 to the effective date of the bill for school FY2024-25.

Sunsetting the school district property tax credit under the Property Tax Incentive Act is estimated to have the following impact to the General Fund revenues:

| FY | GF Revenues |
|-----------|----------------|
| FY2024-25 | \$ 565,135,000 |
| FY2025-26 | \$ 649,373,000 |
| FY2026-27 | \$ 674,016,000 |
| FY2027-28 | \$ 699,593,000 |

LB 1331 amended by AM 3313 will require a one-time programming charge of \$156,874 paid to the OCIO to remove a line from 1040N, NebFile for Individuals, 1120N, 1141N, and 1065N.

LB 1331 amended by AM 3313 change TEEOSA, which will have a corresponding impact on General Fund expenditures.

LB 1331 AM 3313 carries an emergency clause.