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DATE PREPARED: May 18, 2023
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# LB 243

**Revision: 02**

# FISCAL NOTE

**LEGISLATIVE FISCAL ANALYST ESTIMATE**

Revised per AM1743 and LB799

**ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)**

| | FY 2023-24 | | FY 2024-25 | |
|---|---|---|---|---|
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | $704,552 | | $570,705 | ($178,934,886) |
| CASH FUNDS | | | $246,499,886 | $246,499,886 |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | $704,552 | | $247,070,591 | $67,565,000 |

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

AM1743 was adopted on Select File and further amends LB 243. Previously, LB 243 was amended by AM977 and AM1079 on General File and were discussed in the previous fiscal note. AM1743 makes some changes to what was adopted under AM977 and keeps AM1079 the same. The changes as a result of AM1743 are discussed below:

***AM1743***

*Further Modifies Original Provisions of LB 243*

This aspect of the amendment seeks to change the minimum amount of relief granted under the Property Tax Credit Act so the minimums would be the following:

- For tax years 2020 through 2022: $275 million.
- For tax year 2023: $360 million
- For tax year 2024: $395 million
- For tax year 2025: $430 million
- For tax year 2026: $445 million
- For tax year 2027: $460 million
- For tax year 2028: $475 million
- For tax year 2029, the minimum amount of relief would be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the Department of Revenue, plus an additional $75 million.
- For tax year 2030 and each tax year after, the minimum amount of relief would be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the DOR.

*Further Modifies Provisions of LB 242*

This aspect of the amendment seeks to make changes to the community college tax credits provided by the Property Tax Incentive Act. Under this aspect of the amendment, for tax year 2023, the total amount of credits for the taxable year would be $100 million. For tax years beginning on or after January 1, 2024, the credit would be equal to 100% of the community college taxes paid by the eligible taxpayer during the taxable year.

This aspect of the amendment also seeks to make changes to the school district tax credits provided by the Property Tax Incentive Act. For taxable years beginning 2023 through 2028, the total amount of credits for the taxable years would be the maximum amount of credits allowed in the prior year increased by the allowable growth percentage. Thus, the amount of credits would build from the maximum for taxable year 2023 of $560,700,000. For taxable year 2029, the total amount of credits for the taxable year would be the maximum amount of credits allowed in the prior year increased by the allowable growth percentage plus an additional $75 million. For taxable years beginning 2030 and each year after, the total amount of credits for the taxable year would be the maximum amount of credits allowed in the prior year increased by the allowable growth percentage.

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*Further Modifies Provisions of LB 589*
This aspect of the amendment seeks to make further changes to the provisions of LB 589, which seeks to create the School District Property Tax Limitation Act. This amendment would change the definition of a school district's base growth percentage compared to the definition under AM977. Base growth percentage would mean the sum of:

- 3%
- The annual percentage increase in the student enrollment of the district multiplied by:
  - 1 if the school district's student enrollment has grown by an average of at least 3% and by at least 150 students over the preceding 3 years
  - 0.7 if the school district's student enrollment has grown by an average of at least 3% over the preceding 3 years
  - 0.4 if the school district does not meet the conditions to multiply by 1 or 0.7
- The percentage obtained by first dividing the annual increase in the total number of limited English proficiency students in the district by the student enrollment of the district and then multiplying the quotient by 0.15
- The percentage obtained by first dividing the annual increase in the total number of poverty students in the district by the student enrollment of the school district and then multiplying the quotient by 0.15

AM1743 also would make changes to the definitions of non-property-tax revenue, property tax request, and property tax request authority.

Under AM1743 the Nebraska Department of Education (NDE) would calculate each school district's property tax request authority on an annual basis as follows:

a) The school district's property tax request from the prior year would be added to the non-property-tax revenue from the prior year minus any investment income from special building funds from the prior year, and the total would be increased by the school district's base growth percentage.
b) The amount determined under part a would then be decreased by the amount of total non-property-tax revenue for the current year and adjusted for any known or documented errors in documentation received by NDE from the school district. In determining the total non-property-tax revenue for the current year, any category of non-property-tax revenue for which there is insufficient data as of June 1 to make an accurate determination shall be deemed to be equal to the prior year's amount.

Additionally, under AM1743, school districts would be required to submit documents that aid the NDE in calculating their property tax request authority and unused property tax request authority on or before September 30 of each year. This is a change from September 20 under AM977.

*Eliminates Provisions of LB 28*
This aspect of the amendment eliminates Section 16 from ER21 which sought to make changes to appealing property tax under the Tax Equalization and Review Commission Act.

*Fiscal Impact After Adoption of AM1743*
AM1743 is estimated to alter the fiscal impact of LB 243 from changes to the minimum amount of relief granted under the Property Tax Credit Act and changes to the community college and school district tax credits provided under the Property Tax Incentive Act. These changes to the fiscal impact are reflected in the table below, which has been updated from the previous fiscal note. The fiscal impact from AM1079 remains the same except for adjustment to TERC salaries, discussed below. The fiscal impact of LB 589 noted in the previous fiscal note remains the same. Fiscal impacts to political subdivisions noted in the previous fiscal note remain the same except in the case of the provisions relating to LB 28 as those provisions were eliminated in AM1743, as discussed.

| Fiscal Year | General Fund Revenue | Property Tax Credit Fund (Cash Fund) | Community College Future Fund (Cash Fund) |
|---|---|---|---|
| 23-24 | $ - | $ - | $ - |
| 24-25 | $ (178,934,886) | $ - | $ 246,499,886 |
| 25-26 | $ (196,573,382) | $ 32,000,000 | $ 255,127,382 |
| 26-27 | $ (177,582,840) | $ 47,000,000 | $ 264,056,840 |
| 27-28 | $ (197,152,830) | $ 62,000,000 | $ 273,298,830 |
| 28-29 | $ (216,883,289) | $ 77,000,000 | $ 282,864,289 |
| 29-30 | $ (380,904,539) | $ 168,625,000 | $ 292,764,539 |
| 30-31 | $ (415,666,673) | $ 188,456,875 | $ 303,011,298 |

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*Salaries Adjusted for AM1079 Provisions*
The passage of LB 799 changes judges' salaries. This affects the Tax Equalization and Review Commission (TERC) Commissioners' salary expenditures tied to these salaries in AM1079. Therefore, the expenditures for the TERC Commissioners have been adjusted in this fiscal note as a result of the passage of LB 799 so the proper amount would be appropriated for those salaries. Expenditures from LB 243 for these TERC salaries would now be $409,719 for FY 23-24 and $439,128 for FY 24-25.

The fiscal note text as a result of the adoption of AM977 and AM1079 is below to compare to the changes as a result of AM1743 and the passage of LB 799 noted above:

LB 243 was amended by AM977. AM977 contains a modified version of LB 243. AM977 also contains the amended versions of LB 28, LB 242, LB 589, and LB 783 and the original version of LB 309. LB 243 was amended by AM1079, as well. Both amendments are discussed separately below.

**AM977**
*Incorporates Provisions of LB 589 with Modifications*
This aspect of the amendment seeks to create the School District Property Tax Limitation Act (Act).

The Nebraska Department of Education (NDE) would calculate each school district's property tax request authority annually as follows:

- The property tax request from the prior year would be added to the non-property tax revenue from the prior year and that total would be increased by the school district's base growth percentage which is the sum of the following:
  - 3%
  - The annual percentage increase in the student enrollment of the district multiplied by 0.7 if the school district's student enrollment has grown by an average of 3% over the preceding three years and 0.4 if not
  - The percentage obtained by first dividing the annual increase in the total number of limited English proficiency students in the district by the student enrollment of the district and then multiplying the quotient by 0.15
  - The percentage obtained by first dividing the annual increase in the total number of poverty students in the district by the student enrollment of the school district and then multiplying the quotient by 0.15
- The amount determined above would then be decreased by the amount of total non-property-tax revenue for the current year. In determining the total non-property-tax revenue for the current year, any category of non-property-tax revenue where there is insufficient data as of August 1 to make an accurate determination would be deemed to be equal to the prior year's amount.

The Act would not apply to the portion of a district's property tax request that is needed to pay the principal and interest on approved bonds. The property tax request could exceed the district's property tax request authority by an amount approved by a 60% majority of legal voters who vote on the issue at a special election.

A school district can also increase the base growth percentage used to determine it's property tax request authority by a percentage approved by an affirmative vote of at least 70% of the district's school board. The maximum base growth percentage that could be approved in this case would be the base growth percentage that would otherwise be applicable plus an additional:

- 7% for districts with an average daily membership (adm) of no more than 471 students
- 6% for districts with an adm of more than 471 students but no more than 3,044 students
- 5% for districts with an adm of more than 3,044 students but no more than 10,000 students
- 4% for districts with an adm of more than 10,000 students

A school district could choose not to increase their property tax request by the full amount allowed by the district's property tax request authority in a particular year. In those cases, the district could carry forward to future years the amount of unused property tax request authority. NDE would calculate each district's unused property tax request authority and would submit an accounting of the amount to the school board of the district. The unused property tax request authority could then be used in later years for increases in the school district's property tax request. NDE would prepare documents to be submitted by the districts to aid NDE in calculating each district's property tax request authority and unused property tax request authority. Each district would submit their documents to NDE on or before September 20 of each year. If a district would fail to submit its documents to NDE or if NDE determines from the documents that a district is not complying with the limits provided in the Act, NDE would notify the district of its determination. The Commissioner of Education would then direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA) be withheld until such time that the district submits the required documents or complies with the Act. The state aid would be held for 6 months. If the district complies within the 6-month period, it would receive the suspended state aid. If the district fails to comply within the 6-month period, the suspended state aid would revert to the General Fund.

Expenditures:
Property taxes are the primary funding source for the local resources component of the TEEOSA calculation. This Act alters a district's ability to tax to fund the district which could affect the amount of aid received. The potential impact would vary by school district.

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NDE estimates the need to add a FTE to implement and oversee the provisions of this bill. Additionally, the NDE estimates a need for $175,000 to develop and update systems to administer the bill with a $10,000 cost in subsequent years to update and maintain the system. There is no basis to disagree with this estimate.

The Lancaster County Election Commission notes that for any special election under this aspect of the amendment, the school district would be charged for that election with the amounts varying by school district.

*Incorporates Provisions of LB 309*
This aspect of the amendment changes the interest rate from 9% to 14% on unpaid property tax refunds or claims.

The Department of Revenue (DOR) estimates no impact on General Fund revenues from this aspect of the amendment and no cost to it to implement. There is no basis to disagree with this estimate.

The Nebraska Association of County Officials (NACO) estimates the fiscal impact would vary by county with the increase of 5%.

*Incorporates Provisions of LB 783 with Modifications*
This aspect of the amendment would limit the ability to levy property taxes for community college areas for FY 2024-25 and after. The state would distribute funds to community college areas to offset the funds lost by community college areas with the elimination of their levy authority under subdivisions (2) (a) and (c) of section 85-1517 with community colleges retaining the levy authority under (b).

The funds would be distributed to community college areas by the government of the State of Nebraska in the following manner:

- FY 2024-25: The amount of property taxes levied by the community college area for FY 2023-24 pursuant to subdivisions (2) (a) and (c) of section 85-1517 or the amount of property taxes that would have been generated from a levy of $0.075 per $100 of taxable valuation, whichever is greater, with the amount then increased by 3.5% or the percentage increase in the reimbursable educational units of the community college area, whichever is greater.
- FY 2025-26 and after: The amount distributed to the community college area in the prior fiscal year, increased by 3.5% or the percentage increase in the reimbursable educational units of the community college area, whichever is greater.

The amounts would be calculated by the Coordinating Commission for Postsecondary Education (Commission). The Commission would also annually certify the total amount to be distributed, as described above, to all community college areas, to the State Treasurer. The State Treasurer would then transfer the certified amount from the General Fund to the created Community College Future Fund in 10 equal payments distributed monthly beginning in September and continuing through June. The Commission would then make distributions to the community college areas in ten equal payments distributed monthly beginning in September and continuing through June.

Beginning in FY 2024-25, if the state would fail to provide the full funding calculated for it to distribute in this aspect of the amendment, a community college area could, if approved by a majority vote of the community college board of governors, levy an amount for the fiscal year under subdivision (2) (a) of section 85-1517 sufficient to generate revenue equal to the amount that would have been provided to the community college area as calculated by the Commission to be fully funded minus the amount that was actually provided to the community college area.

Also, beginning in FY 2024-25, if the amount of aid provided to a community college area pursuant to the Community College Aid Act is less than the amount of aid provided to the community college area in the immediately preceding fiscal year or the amount of aid provided to the community college area in FY 2022-23, whichever is greater, the community college area could, if approved by a majority vote of the community college board of governors, levy an amount under subdivision (2) (a) of section 85-1517 sufficient to generate revenue equal to the difference in aid from the immediately preceding fiscal year or FY 2022-23, whichever would be applicable.

This aspect of the amendment would limit political subdivisions' ability to raise revenue through the levying authority for community college areas. The distribution of funds from the state would seek to replace the loss in funds from the inability to levy taxes for community college areas. NACO estimates a loss in revenue to counties as a result of the 1% fee totals connected to the change in community college tax collections.

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*Keeps Original Provisions of LB 243 with Modifications*
This aspect of the amendment seeks to increase the minimum amount of relief granted under the Property Tax Credit Act so the minimums would be the following:

- For tax years 2020 through 2023: $275 million
- For tax year 2024: $388 million
- For tax year 2025: $428 million
- For tax year 2026: $468 million
- For tax year 2027: $488 million
- For tax year 2028: $515 million
- For tax year 2029: $560 million
- For tax year 2030 and each tax year after, the minimum amount of relief would be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the state from the prior year to the current year, as determined by the DOR.

The fiscal impact of this change is shown in the table at the end of the text on AM977 and is further discussed there, as well.

*Incorporates Provisions of LB 28 with Modifications*
This aspect of the amendment seeks to make changes to appealing property tax under the Tax Equalization and Review Commission Act. The assessed value of the property for the year would reset to the previous year's assessed value if the Tax Equalization and Review Commission (TERC) has not reached a decision on an appeal by the date the first half of the following year's property taxes become delinquent. The property value would stay at that value until the TERC makes a decision. If the TERC reaches a decision on an appeal after the property taxes for the property become delinquent and if the TERC determines that the assessed value of the property is higher than the value of the previous year's assessed value, then interest would accrue on the tax liability related to the difference in the value between the previous year's assessed value and the assessed value determined by the TERC. The interest would accrue from the date that the property taxes become delinquent.

The TERC estimates no fiscal impact to it from this aspect of the amendment. There is no basis to disagree with this estimate.

The Lancaster County Treasurer estimates costs associated with a major rewriting of their system to account for the interest rate changes in this aspect of the amendment. Additionally, the Lancaster County Treasurer estimates additional work as a result of the appeal causing a shift back to the previous year's assessed value.

NACO estimates that shifting back to the previous year's assessed value would significantly impact the ability to rely on and implement accurate tax levies. NACO also notes that with taxes and interest being paid if the decision of TERC returns an amount that is higher than the previous year's assessed value, the taxes and interest received would lessen the initial impact.

*Incorporates Provisions of LB 242 with Modifications*
This aspect of the amendment seeks to make changes to the community college tax credits provided by the Property Tax Incentive Credit Act. The allowable growth percentage for the total assessed value of all real property in the state from the prior year to the current year of 5% is eliminated under this aspect of the amendment, as well. For tax years beginning on or after January 1, 2023, the credit would be equal to 100% of the community college taxes paid.

The fiscal impact of this change is shown in the table below and is further discussed, as well.

*Additional Fiscal Impact to Note from AM977*
The table below depicts the fiscal impact as a result of changes to property tax credits and funding of community colleges. Money would be transferred from the General Fund to these two cash funds. The money in these cash funds would then be expended by the state. The General Fund decrease in FY 23-24 is from the changes made to community college tax credits through the Property Tax Incentive Credit Act and community college levy authority changes. In subsequent years, these changes to community college tax credits and levy authority results in General Fund revenue increases. This table also utilizes data from the Coordinating Commission for Postsecondary Education (Commission) for FY24-25 for what would be distributed to community colleges. The amount calculated by the Commission has been adjusted to also include data for estimated property valuations for 2024 that would be available for FY 24-25 calculations. The rest of the data utilized is from the DOR with one exception. This exception is that the Appropriations Committee approved in its preliminary recommendation $363,000,000 to go into the Property Tax Credit Fund for FY 23-24 and $398,000,000 for FY 24-25, and this is factored into the calculations in the table on the following page.

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| Fiscal Year | General Fund Revenue | Property Tax Credit Fund (Cash Fund) | Community College Future Fund (Cash Fund) |
|---|---|---|---|
| 23-24 | $ (133,326,000) | $ - | $ - |
| 24-25 | $ (178,934,886) | $ - | $ 246,499,886 |
| 25-26 | $ (194,573,382) | $ 30,000,000 | $ 255,127,382 |
| 26-27 | $ (200,582,840) | $ 70,000,000 | $ 264,056,840 |
| 27-28 | $ (225,152,830) | $ 90,000,000 | $ 273,298,830 |
| 28-29 | $ (256,883,289) | $ 117,000,000 | $ 282,864,289 |
| 29-30 | $ (306,779,539) | $ 162,000,000 | $ 292,764,539 |

**AM1079**
This amendment seeks to add the at-large commissioner for the TERC, beginning July 1, 2023, that previously existed. The TERC would then have four commissioners.

The amendment would change the term expiration dates of the TERC commissioners.

The amendment would change the number of TERC commissioners from one to two that are required to have been engaged in the practice of law in the State of Nebraska for at least 5 years, which could include prior service as a judge, and would be currently admitted to practice before the Nebraska Supreme Court. The attorney commissioners would be presiding officers for TERC proceedings involving appeal hearings and other proceedings involving panels of more than one commissioner.

The amendment would change the salary of the TERC commissioners so that the salary for commissioners serving as a presiding hearing officer for commission hearings and proceedings involving a panel of more than one commissioner would be equal to 85% of the salary set for the Chief Justice and judges of the Supreme Court. The salary for commissioners not serving as a presiding officer for commission hearings or proceedings involving a panel of more than one commissioner would be equal to 70% of the salary set for the Chief Justice and judges of the Supreme Court.

The amendment would also change the amount of taxable value of each parcel from $1 million to $2 million regarding when a single commissioner could hear an appeal and cross appeal and appeals and cross appeals consolidated with any such appeal and cross appeal.

The TERC estimates costs connected to the additional TERC Commissioner added from this amendment as well as the increases in salaries of the rest of the TERC Commissioners. There is no basis to disagree with this estimate.

NACO notes that the changes from this amendment could add to TERC efficiencies in processing appeals and cases would then be decided in a timelier fashion. In turn, this would help the ability to rely on accurate tax levies and the impact noted by NACO in the discussion of LB 28 above.

# LB 243 AM1743 Fiscal Note 2023

**State Agency Estimate**

| | | | | | | |
|---|---|---|---|---|---|---|
| State Agency Name: Department of Revenue | | | | | Date Due LFO: | |
| Approved by: Glen White | | Date Prepared: 05/15/2023 | | | Phone: 471-5896 | |

| | FY 2023-2024 | | FY 2024-2025 | | FY 2025-2026 | |
|---|---|---|---|---|---|---|
| | Expenditures | Revenue | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | | $(47,000,000) | | $(232,706,000) | | $(252,355,000) |
| Cash Funds | | | $300,271,000 | $300,271,000 | $342,909,000 | $342,909,000 |
| Federal Funds | | | | | | |
| Other Funds | | | | | | |
| Total Funds | | $(47,000,000) | $300,271,000 | $67,565,000 | $342,909,000 | $90,554,000 |

AM 1743 to LB 243 makes changes to AM 977 and incorporates the following:

School District Property Tax Limitation Act (SDPTL)

Section 1 to 10 creates a new mechanism to set out the percentage of annual increase that a school district can request regarding their levying authority. The school district's property tax request equals:

- Amount of:
  - (prior year school district's property tax request + prior year non-property-tax revenue) and increasing by the school district's base growth percentage calculated by the following sum:
    - 3% plus
    - [annual percentage increase in school district student enrollment multiplied by
      - (1 if (enrollment has growth an average of 3% and by 150 students over 3 prior years) OR .7 if enrollment has growth an average of 3% OR .4 if enrollment did not experience an average of 3% and 150 students increase over the 3 prior years)] plus
    - (School district's annual increase of total number of limited English proficiency learners divided by School district student enrollment) multiplied by .15 plus
    - (The annual increase in the total number of poverty students in the school district divided by the student enrollment of the school district multiplied by .15
- If a school district chooses not to increase its request by the full amount allowed, any increase not used can be carried forward.

The school district request can exceed the above request authority by an amount approved by 60% of voters in an election. The school district may also exceed the request authority by a 70% vote of the school board. The amount exceeded under this method is limited to:

- 7% for school district with average daily membership of no more than 471 students;
- 6% for school district with average daily membership of more than 471 students, but no more than 3,044 students;

**Major Objects of Expenditure**

| Class Code | Classification Title | 23-24 FTE | 24-25 FTE | 25-26 FTE | 23-24 Expenditures | 24-25 Expenditures | 25-26 Expenditures |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Benefits | | | | | | | |
| Operating Costs | | | | | | | |
| Travel | | | | | | | |
| Capital Outlay | | | | | | | |
| Capital Improvements | | | | | | | |
| **Total** | | | | | | | |

- 5% for school districts with average daily membership of more than 3,044 students, but no more than 10,000 students; or
- 4% for school districts with average daily membership of more than 10,000 students.

The SDPTL has no direct fiscal impact to the General Fund revenues. However, the SDPTL Act will affect TEEOSA, which will have a corresponding impact on General Fund expenditures. The SDPTL takes effect on January 1, 2024.

Property Tax Refund Interest Rate

Section 11 amends Neb. Rev. Stat. § 77-1736.06 to change the interest rate relating to property tax refunds for unpaid balances from 9% to 14%.

Property Tax Credit Act (PTC)

Section 13 amends Neb. Rev. Stat. § 77-4212(1) by changing the minimum amount of relief granted to taxpayers via the Property Tax Credit Act. Specifically, the minimum amount relief are as follows:

- $360 million for tax year 2023;
- $395 million for tax year 2024;
- $430 million for tax year 2025;
- $445 million for tax year 2026;
- $460 million for tax year 2027;
- $475 million for tax year 2028;

For tax year 2029, minimum relief increase is based on a percentage increase equal to the percentage increase in the total assessed value of all real property in the State from the prior year to the current year as determined by the Department of Revenue (DOR) plus $75 million.

For tax year 2030 and each tax year thereafter, the minimum amount of relief granted under PTC will be the minimum amount from the prior tax year plus a percentage increase equal to the percentage increase, if any, in the total assessed value of all real property in the State from the prior year to the current year as determined by DOR.

Property Tax Incentive Credit Act

Section 18 amends Neb. Rev. Stat. § 77-6703 as follows:
- For tax year 2024 through 2028, the refundable income tax credit (RITC) will equal the maximum amount of credits allowed in the prior year increased by the allowable growth percentage.
- For tax year 2029, the DOR will set the RITC percentage so the total amount of credit for the year equals the maximum amount of credits allowed in the prior year increased by the allowable growth percentage plus $75 million.
- For tax years 2023 and each year after, DOR will set the RITC percentage so the total amount of credit for the year equals to the maximum amount of credits allowed in the prior year increased by the allowable growth percentage.

Section 19 amends Neb. Rev. Neb. Rev. Stat. § 77-6706 as follows:

- For taxable years 2022, the RITC for community college taxes paid will be equal to the credit percentage for the taxable year, as set by the DOR, multiplied by the amount of community college taxes paid by the eligible taxpayer during the taxable year.
- For taxable years 2023, the credit will be equal to the credit percentage for the taxable year, as set by the DOR, multiplied by the amount of community college taxes paid by the eligible taxpayer during the taxable year. The DOR will set the credit percentage so that the total amount of credits for the taxable years will be $100 million.
- For taxable years starting on or after January 1, 2024, the credit will equal to 100% of the community college taxes paid by the eligible taxpayer during the taxable year.

Community College Levy Authority

Section 17 limits the ability for Community Colleges to levy property taxes, staring in fiscal year 2024-25. Community Colleges will get a distribution of funds to replace the property taxes loss starting in fiscal year 2024-25. Community Colleges maintain the levying authority for capital improvement funds and additional levying authority, if authorized by the community college board of governors, to allow additional funding beyond what the State provides, to fully fund the community college if the State fails to fully fund a community college in a given year.

Beginning in fiscal year 2024-25, funds will be distributed com community college areas as follows:

- For fiscal year 2024-25, the amount to be distributed is the amount of property taxes levied by the community colleges area for fiscal year 2023-24 pursuant to subdivisions (2)(a) and (c) of section 85-1517 or the amount of property taxes that would have been generated from a levy of $.075 per $100 of taxable valuation, whichever is greater, then, increased 3.5% or the percentage increase in the reimbursable educational units of the community college area, whichever is greater.
- For fiscal year 2025-26 and thereafter, the amount distributed for a community college is the amount in prior year, increased by 3.5% or the percentage increase in the reimbursable educational units of the community college area, whichever is greater.

The Coordinating Commission for Postsecondary Education will annually determine the amount to be distributed to each community college area and certify such amounts to the community college area and to the budget division of the Department of Administrative Services and the State Treasurer by August 15 of each year. The State Treasurer will transfer the certified amount from the General Fund to the community College Future Fund in ten equal payments distributed monthly beginning in September of the fiscal year and continuing through June.

LB 243 AM977 amended by AM1743 is estimated to impact the General Fund and Cash Fund revenues and expenditures as follows:

| Fiscal Year | General Fund Revenue | Property Tax Credit Fund (Cash Fund) | Community College Fund (Cash Fund) |
|---|---|---|---|
| FY2023-24 | $ (47,000,000) | $ 47,000,000 | $ - |
| FY2024-25 | $ (232,706,000) | $ 82,000,000 | $ 218,271,000 |
| FY2025-26 | $ (252,355,000) | $ 117,000,000 | $ 225,909,000 |
| FY2026-27 | $ (232,343,000) | $ 132,000,000 | $ 233,817,000 |
| FY2027-28 | $ (250,855,000) | $ 147,000,000 | $ 242,001,000 |
| FY2028-29 | $ (269,489,000) | $ 162,000,000 | $ 250,470,000 |
| FY2029-30 | $ (432,376,000) | $ 253,625,000 | $ 259,236,000 |
| FY2030-31 | $ (465,732,500) | $ 273,225,000 | $ 268,309,000 |

It is estimated that there will be minimal costs to the DOR to implement LB 243 AM977 amended by AM 1743.

Please complete ALL (5) blanks in the first three lines. **2023**

**LB(1)** 243 AM 1743 **FISCAL NOTE**

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

**Prepared by: (3)** Bryce Wilson **Date Prepared: (4)** 5/16/23 **Phone: (5)** 402-471-4320

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

| | FY 2023-24 | | FY 2024-25 | |
|---|---|---|---|---|
| | **EXPENDITURES** | **REVENUE** | **EXPENDITURES** | **REVENUE** |
| **GENERAL FUNDS** | $294,833 | | $131,577 | |
| **CASH FUNDS** | | | | |
| **FEDERAL FUNDS** | | | | |
| **OTHER FUNDS** | | | | |
| **TOTAL FUNDS** | $294,833 | | $131,577 | |

**Explanation of Estimate:**

LB 243 AM 1743 makes the following changes to ER21.

- The student growth percentages calculation by adding a third category of growth to the calculation.
- Eliminates many sources of additional revenue in the calculation of non-property taxes revenue.
- Limits the property tax request authority calculation to the General and Special building fund.
- Changes the date schools are required to submit information to NDE to June 1st.

Fiscal cost from prior LB 243 fiscal notes.

NDE will need a staff person to carry out the responsibilities outlined in this bill. Additionally, it will take $175,000 to develop and update the systems needed to collect the information from schools and $10,000 annually to update and maintain systems after the initial year.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

| POSITION TITLE | NUMBER OF POSITIONS 23-24 | 24-25 | 2023-24 EXPENDITURES | 2024-25 EXPENDITURES |
|---|---|---|---|---|
| | | | | |
| Program Specialist III | 1.0 | 1.0 | $68,310 | $72,409 |
| **Benefits**………………………………...…… | | | $40,380 | $41,737 |
| **Operating**…………………………...………. | | | $186,143 | $17,431 |
| **Travel**……………………………………….. | | | | |
| **Capital outlay**…………………...………….. | | | | |
| **Aid**…………………………………………... | | | | |
| **Capital improvements**……………………... | | | | |
| **TOTAL**……………………………..... | | | $294,833 | $131,577 |