

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 | | | See Below | |
| CASH FUNDS | | | See Below | See Below |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | See Below | See Below |

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

LB9 amends several sections to change provisions relating to property tax levies for school districts & the Nebraska Property Tax Incentive Act; adds, changes, & eliminates certain calculations under the Tax Equity & Educational Opportunities Support Act (TEEOSA); states the intent regarding transfers into the Education Future Fund (EFF); authorizes school districts to levy taxes under certain circumstances; changes the provisions relating to the School District Property Tax Limitation Act & the Nebraska Transformational Project Fund.

School districts & multiple-district school systems maximum levy amounts per \$100 of taxable valuation of property subject to the levy:

- Through 2024-25 - \$1.05
- 2025-26 & 2026-27 - \$0.65
- 2027-28 & 2028-29 - \$0.55
- 2029-30 & 2030-31 - \$0.45
- 2031-32 & 2032-33 - \$0.35
- 2033-34 & each year thereafter- \$0.25

For school year 2025-26 & each school year thereafter, each school district's formula need will equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, focus school & program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, distance education & telecommunications allowance, community achievement plan allowance, new community achievement plan adjustment, student growth adjustment, any positive student growth adjustment correction, & new school adjustment minus the sum of the limited English proficiency allowance correction, poverty allowance correction, & any negative student growth adjustment correction.

The Allocated Income Tax funds calculated in §79-1005.01, will no longer apply beginning with the TEEOSA calculations for school year 2025-26.

Through school year 2024-25, the Nebraska Department of Education (NDE) will calculate the calculate an Averaging Adjustment for districts with at least nine hundred formula students if the basic funding per formula student is less than the averaging adjustment threshold.

The Averaging Adjustment calculated in §79-1007.18, will no longer apply beginning with the TEEOSA calculations for school year 2025-26.

For real property other than agricultural & horticultural land:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation will be equal to ninety-six percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to eighty-six percent of the actual value

For agricultural & horticultural land:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation of will be equal to seventy-two percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to forty-two percent of the actual value

For agricultural & horticultural land that receives special valuation pursuant to §77-1344:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation of will be equal to seventy-two percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to forty-two percent of the actual value

For school year 2025-26 & each school year thereafter, the Nebraska Department of Education (NDE) will calculate a base levy adjustment for each school district to adjust the calculated state aid amount for the ensuing school year prior to certification.

The base levy will equal fifty percent of the ensuing school year's local effort rate determined by §79-1015.01 for state aid certified pursuant to §79-1022.

The potential general fund levy for the ensuing school year will equal the general fund levy for the school year immediately preceding the school year for which aid is being calculated minus the potential general fund levy change.

The potential general fund levy change will equal the difference between the amount of state aid for the school year immediately preceding the school year for which the aid is being calculated & the state aid calculated for the ensuing school year divided by the adjusted valuation & multiplied by one hundred.

If the potential general fund levy for the ensuing school year is less than the base levy, the difference between those amounts will be multiplied by the adjusted valuation & then divided by one hundred. That amount will then be subtracted from the state aid calculated for the ensuing school year to determine the adjusted amount of state aid to be distributed to the school district in the ensuing school year.

REVENUE:

There is intent to transfer:

- \$1.255 billion from the General Fund to the Education Future Fund in fiscal year 2025-26 & fiscal year 2026-27 (an increase of \$1.005 billion each year).
- \$1.508 billion from the General Fund to the Education Future Fund in fiscal year 2027-28 & fiscal year 2028-29 (an increase of \$1.258 billion each year).
- \$1.761 billion from the General Fund to the Education Future Fund in fiscal year 2029-30 & fiscal year 2030-31 (an increase of \$1.511 billion each year).
- \$2.014 billion from the General Fund to the Education Future Fund in fiscal year 2031-32 & fiscal year 2032-33 (an increase of \$1.764 billion each year).
- \$2.267 billion from the General Fund to the Education Future Fund in fiscal year 2033-34 & each fiscal year thereafter (an increase of \$2.017 billion each year).

EXPENDITURES:

For fiscal year 2025-26 & each year thereafter, if the amount of money transferred from the General Fund to the Education Future Fund does not equal the amounts described in §79-1021 & is insufficient for any fiscal year to fully fund equalization aid under TEEOSA, each school district can, if approved by a majority vote of the school board, levy an amount for that year sufficient to generate revenue equal to the amount of equalization aid that should have been provided to the school district for that year.

By lowering the levy lid, removing the allocated income tax, removing the averaging adjustment, & the lowering of the adjusted valuations being used in the 2025-26 TEEOSA calculation, the Legislative Fiscal Office estimates the following:

| | 2025-26 | 2026-27 |
|---|------------------------|------------------------|
| <i>Education Future Funds and State General Funds</i> | \$3,276,008,548 | \$3,358,770,082 |
| <i>Insurance Premium Tax</i> | \$42,500,000 | \$45,000,000 |
| Total TEEOSA Aid | \$3,318,508,548 | \$3,403,770,082 |

These estimates result in an increase in total TEEOSA aid of \$2.16 billion in FY26 and \$2.234 billion in FY27.

This estimate does not include any calculations that NDE would do concerning the base levy, potential general fund levy or any changes to each individual school district's levy amount, but this estimate will be updated should any further data be received.

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2024

LB⁽¹⁾ 9 Special Session

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

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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 | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | ===== | ===== | ===== | ===== |

Explanation of Estimate:

LB 9 would change provisions relating to property tax levies for school districts. Counties receive a 1 percent commission on property taxes distributed. A reduction in property taxes through a distribution model that does not go through the county treasurer would reduce revenues by 1 percent of any amount not distributed by the treasurer.

Furthermore, within the School District Property Tax Relief Act, county treasurers would be required to calculate and distribute billions of dollars of relief to schools without a mechanism to fund counties for their work and expenses associated with software adjustments and other requirements. Over a \$15 million reduction for administrative work and resources related to assessment, taxation, hearings, distribution and archiving for administrative work, software, citizen engagement and other resources related to assessment, hearings, collecting, and distribution of tax dollars would be incurred. Without commissions these expenses could result in a shift to property taxes, cuts to services, inability to fulfill state and federal mandates or a combination of these options.

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..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |