

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS				
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.

LB589 amends §77-1632 and §77-1633 to create the School District Property Tax Limitation Act.

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

- The property tax request from the prior year will be added to the non-property tax revenue from the prior year & that total will be increased by the highest percent of the following:
 - The base growth rate percentage
 - The annual percentage increase in the student enrollment of the district multiplied by four-tenths
 - 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 & then multiplying the quotient by twenty-five hundredths
 - 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 & then multiplying the quotient by twenty-five hundredths
- The amount determined above will 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 will be deemed to be equal to the prior year's amount

The act will not apply to the portion of a district's property tax request that is needed to pay the principal & interest on approved bonds.

The property tax request can exceed the district's property tax request by an amount approved by a sixty percent majority of legal voters who have voted on the issue at a special election.

The property tax request can also exceed the district's property tax request by a percent approved by an affirmative vote of at least seventy-five percent of the district's school board. That percent cannot exceed:

- Seven percent for districts with an average daily membership (adm) of no more than four hundred seventy-one students
- Six percent for districts with an adm of more than four hundred seventy-one students but no more than three thousand forty-four students
- Five percent for districts with an adm of more than three thousand forty-four students but no more than ten thousand students
- Four percent for districts with an adm of more than ten thousand students

A school district can 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 can carry forward to future years the amount of unused property tax request authority. NDE will calculate each district's unused property tax request authority & will submit an accounting of the amount to the school board of the district. The unused property tax request authority can then be used in later years for increases in the school district's property tax request.

NDE will prepare documents to be submitted by the districts to aid NDE in calculating each district's property tax request authority & unused property tax request authority. Each district will submit their documents to NDE on or before September 20 of each year. If a district fails to submit their documents to NDE or if NDE determines from their documents that a district is not complying with the limits provided in the School District Property Tax Limitation Act, NDE will notify the district of its determination. The Commissioner of Education will then direct that any state aid granted pursuant to the Tax Equity & Educational Opportunities Support Act (TEEOSA) be

withheld until such time that the district submits the required documents or complies with the School District Property Tax Limitation Act. The state aid will be held for six months. If the district complies within the six-month period, it will receive the suspended state aid. If the district fails to comply within the six-month period, the suspended state aid will revert to the General Fund.

EXPENDITURES:

Property Taxes are the primary funding source for the local resources component of the TEEOSA calculation. This act could reduce a district's ability to tax at an amount needed to fund the district which could affect the amount of aid received. The impact would vary by school district. The amount also cannot be determined at this time, but it is anticipated that there will be an increase in General Fund expenditures for TEEOSA aid.

NDE estimates the need to add an FTE to implement & oversea the provisions of this bill. For FY2023-24, the FTE will have salary expenses of \$68,310; benefits expenses of \$40,380; & operating expense of \$11,143. For FY2024-25, the salary expenses increase by 3% to \$70,359; benefits expenses of \$41,737; & operating expense of \$7,431.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	589	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
REVIEWED BY:	Gary Bush	DATE:	1/31/23 PHONE: (402) 471-4161
COMMENTS: Agree that a position would likely be needed. The agency has sufficient existing resources that can be directed to this activity so additional appropriations would not be needed.. The limiting of school districts tax request will have an impact on how much property taxes would be collected by the district. This could have an impact on the TEEOSA school aid formula.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	589	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue
REVIEWED BY:	Gary Bush	DATE:	1/31/23 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate to the agency provided the Department of Revenue.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	589	AM:	AGENCY/POLT. SUB: State Treasurer
REVIEWED BY:	Gary Bush	DATE:	1/31/23 PHONE: (402) 471-4161
COMMENTS: Agree with the estimate to the agency provided.			

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

2023

LB⁽¹⁾ 589

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/18/23 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$119,833		\$121,577	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$119,833</u>		<u>\$121,577</u>	

Explanation of Estimate:

LB 589 establishes a property tax authority limitation for school districts which creates a third limit on school district tax requests. Property tax authority is calculated by giving schools the prior year's tax request plus the greater of the following:

- Base growth percentage which is 3%
- The student enrollment increase percentage multiplied by 40%.
- The increase in limited English proficient students divided by total student enrollment with the quotient multiplied by .25%.
- The increase in poverty students divided by total student enrollment with the quotient multiplied by .25%.

The property tax request authority is then adjusted down by non-property tax revenue increases and up by non-property tax revenue decreases.

School districts can exceed their property tax request authority by an amount approved by 60% of the district's legal voters, amount approved in a levy override or by the percentage below with a 75% majority vote of the school board.

- 7% for districts with average daily membership of 471 or less.
- 6% for districts with average daily membership of at least 471 and less than 3,044.
- 5% for districts with average daily membership of at least 3,044 and less than 10,000.
- 4% for districts with average daily membership of more than 10,000.

Unused property tax authority can be carried over and accessed in future years.

Tax asking for voter approved bond principal and interest is not subject to property tax authority limits.

NDE will need a staff person to carry out the responsibilities outlined in this bill.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program Specialist III	1.0	1.0	\$68,310	\$72,409
Benefits.....			\$40,380	\$41,737
Operating.....			\$11,143	\$7,431
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$119,833	\$121,577

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Glen White

Date Prepared: 01/27/2023

Phone: 471-5896

Table with columns for FY 2023-2024, FY 2024-2025, and FY 2025-2026, each with sub-columns for Expenditures and Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, and Total Funds.

LB 589 will be known as the School District Property Tax Limitation Act (Act).

Section 2 provided definitions for the Act.

Except as provided in section 4 and 5 of the Act, a school district’s property tax request for any year must not exceed the school district’s property tax request authority.

In Section 3, each school district’s property tax request equals:

- (2)(a) amount of:
o (prior year school district’s property tax request + prior year non-property-tax revenue) increased by the highest of the following percentages:
i. The base growth percentage (3%);
ii. School district annual percentage increase in student enrollment x .4;
iii. (School district’s annual increase of total number of limited English proficiency / School district student enrollment) x .25; or
iv. (The annual increase in the total number of poverty students in the school district / the student enrollment of the school district) x .25.
• Each school district’s property tax request = (2)(a) amount – total current year non-property-tax revenue. If there is insufficient data about a category of non-property tax revenue by August 1st, then it will be deemed to be equal to the prior year’s amount.

The Department of Education (DOE) will certify the school district’s property tax request to the school district board.

The Act does not apply to the part of the school district’s property tax request needed to the principal and interest on approved bonds. A school district’s property tax request can exceed its property tax request authority by an amount approved by 60% of the voters. The district’s school board can also exceed its property tax request

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, FTE (23-24, 24-25, 25-26), and Expenditures (23-24, 24-25, 25-26). Rows include Benefits, Operating Costs, Travel, Capital Outlay, Capital Improvements, and Total.

authority by a percentage approved by at least 75% of the district's school board, but this percentage cannot exceed:

- a) 7% for school district with average daily membership of no more than 471 students;
- b) 6% for school district with average daily membership of more than 471 students, but no more than 3,044 students;
- c) 5% for school district with average daily membership of more than 3,044 students, but no more than 10,000 students; or
- d) 4% for school district with average daily membership of more than 10,000 students.

If a school district chooses not to increase its property tax request authority by the amount allowed by the property tax request authority, the school district can carry forward the unused portion of the property tax request authority for use in future years. Department of Education (DOE) is responsible for keeping track of the unused portion of property tax request authority and submitting an accounting of this amount to the school district's board.

DOE has the authority to create rules and regulations to implement the Act.

LB 589 has no direct fiscal impact to the General Fund revenues. However, LB 589 will affect TEEOSA, which will have a corresponding impact on General Fund expenditures.

The operative date of the Act is January 1, 2024.

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2023

LB⁽¹⁾ 589

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 25, 2023 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</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:

The State Treasurer's Office doesn't expect any fiscal impact from LB 589 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____