

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				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 783 eliminates the ability to levy property taxes for community college areas after FY 2025-26. Additionally, the refundable tax credit against the income tax or franchise tax connected to community college taxes paid would be eliminated after calendar year 2026. Instead, funds would be distributed to community college areas by the government of the State of Nebraska in the following manner:

- In 2027, community college areas would receive the amount of property taxes levied by such community college area for tax year 2025, increased by 3.5%
- In 2028, and the years after that, community college areas would receive the amount distributed to the community college area in the prior year, increased by 3.5%

The distributions to the community college areas would occur in two equal payments each year. The first payment would be on or before March 31 and the second payment would be on or before August 31.

The Department of Revenue (DOR) estimates no fiscal impact to General Fund revenues for the 2023-25 biennium. However, once the bill takes effect in FY 2026-27, the DOR does estimate a fiscal impact. The DOR estimates an increase to General Fund revenues after the elimination of the refundable tax credits. Additionally, the DOR estimates an increase in General Fund expenditures for the state distribution to community college areas. Please see below for the DOR’s fiscal impact estimates:

Fiscal Year	General Fund Revenues	General Fund Expenditures
FY2023-24		
FY2024-25		
FY2025-26		
FY2026-27		\$ 148,748,000
FY2027-28	\$ 201,825,000	\$ 302,702,000
FY2028-29	\$ 208,889,000	\$ 313,296,500
FY2029-30	\$ 216,200,000	\$ 324,262,000
FY2030-31	\$ 223,767,000	\$ 335,611,000

The DOR estimates that there will be no costs for it to implement the bill.

There is no basis to disagree with these estimates by DOR.

The Coordinating Commission for Postsecondary Education estimates no fiscal impact regarding its connection to the bill. There is no basis to disagree with this estimate.

The Lancaster County Treasurer, the Nebraska Community College Association, Metropolitan Community College, and the Nebraska Association of County Officials also estimate no fiscal impact for the FY 2023-25 biennium. There is no basis to disagree with these estimates. Once the bill goes into effect, political subdivisions would lose the ability to raise revenue through the levying authority for community college areas. The distribution of funds from the state, increasing at 3.5% per year, would seek to replace the loss in funds

from the inability to levy taxes for community college areas. In the past, property taxes levied by community colleges have not always increased at a rate of 3.5%. Thus, the constant 3.5% increase that would be added through this bill may create more or less funding for community college areas if the cap was not there depending on the year.

To note, this distribution by the state seeks to replace funds provided by property taxes and not other aspects of the formula for funding community college areas.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783 (Revised)	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY:	Gary Bush	DATE:	1/31/23	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimated fiscal impact provided by the Department of Revenue. The assumptions appear to be reasonable.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783 (Revised)	AM:	AGENCY/POLT. SUB: Nebraska Community College Association	
REVIEWED BY:	Gary Bush	DATE:	1/30/23	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with estimate provided.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783	AM:	AGENCY/POLT. SUB: Metropolitan Community College	
REVIEWED BY:	Gary Bush	DATE:	1/27/23	PHONE: (402) 471-4161
COMMENTS: Agree that there would be no fiscal impact to the Metropolitan Community College until FY2026-27. At that time, the taxing authority would end, and the state would replace lost property tax revenue with General Funds. Disagree that Metropolitan Community College would lose any revenue.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783	AM:	AGENCY/POLT. SUB: Coordinating Commission for Postsecondary Education	
REVIEWED BY:	Gary Bush	DATE:	1/26/23	PHONE: (402) 471-4161
COMMENTS: Agree with the agency's estimate of impact.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783	AM:	AGENCY/POLT. SUB: Lancaster County Treasurer	
REVIEWED BY:	Gary Bush	DATE:	1/26/23	PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the Lancaster County Assessor.				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	783	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY:	Gary Bush	DATE:	1/26/23	PHONE: (402) 471-4161
COMMENTS: Agree that counties would have lost revenue due to the reduction in property taxes collected. It is reasonable to assume there would be savings realized by the county, but this is not addressed.				

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO:
 Approved by: Glen White Date Prepared: LEAVE BLANK Phone: 471-5896

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 783 takes away the ability for Community Colleges to levy property taxes, starting in fiscal year 2026-27. Community Colleges will get a distribution of funds to replace the property taxes loss starting in 2027. LB 783 ends the refundable income tax credit for Community College taxes paid beginning calendar year 2027.

Beginning in calendar year 2027, funds will be distributed to community college areas as follows:

- For calendar year 2027, the amount to be distributed is the amount of property taxes levied by such community colleges are for tax year 2025, increased 3.5%.
- For calendar year 2028 and thereafter, the amount distributed for a community college is the amount in prior year, increase by 3.5%.

The Department of Revenue (DOR) will annually determine the amount to be distributed to each community college area and certify such amounts to the State Treasurer and to each community college area. The distributions to the community college area will occur in two equal payments, the first on or before March 31 and the second on or before August 31.

LB 783 is estimated to impact the General Fund revenues and expenditures as follows:

Fiscal Year	General Fund Revenues	General Fund Expenditures
FY2023-24		
FY2024-25		
FY2025-26		
FY2026-27		\$ 148,748,000
FY2027-28	\$ 201,825,000	\$ 302,702,000
FY2028-29	\$ 208,889,000	\$ 313,296,500
FY2029-30	\$ 216,200,000	\$ 324,262,000
FY2030-31	\$ 223,767,000	\$ 335,611,000

It is estimated that there will be no costs to the Department of Revenue to implement this bill.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>23-24</u>	<u>24-25</u>	<u>25-26</u>	<u>23-24</u>	<u>24-25</u>	<u>25-26</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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

2023

LB⁽¹⁾ 783 – REVISION TO ORIGINAL SUBMISSION

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Community College Association

Prepared by: ⁽³⁾ Courtney Wittstruck Date Prepared: ⁽⁴⁾ 01/30/23 Phone: ⁽⁵⁾ 402-381-2084

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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>

Explanation of Estimate:

Because LB783 would not take effect until 2027, it is not estimated to have a financial impact on community colleges in FY 23-24 or FY 24-25.

Once the bill takes effect, however, the community colleges will lose their property tax levy authority, and, as a result, will not receive the combined estimated \$300 million yearly in property tax funds.

While LB783 purports to replace property tax funding with state funds, the state, generally, has a history of underfunding community colleges. In 1997, the Nebraska Legislature adopted a community college funding formula which included an intent for community colleges to be funded 20% from tuition, 40% from state funds, and 40% from property taxes. Based on the most recent data, tuition consists of 20% of funding, but the state only appropriated about 29% of funding, leaving property taxes to pick up the remaining >50%. With a single, unstable, and unpredictable funding source, the community colleges cannot be sure what the fiscal impact would be.

Furthermore, although LB783 states that community colleges will be appropriated a 3.5% YOY increase in funding, the state has appropriated community colleges an increase of at least 3.5% only TWICE since FY 2007-2008. During this span, state aid has averaged only a 1.8% increase.

Accordingly, as stated above, due to the uncertainty of state funding, it is difficult for community colleges to estimate the financial impact of LB783. The only certainty is that they will lose an estimated \$300 million in annual property tax funds.

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.....	<u></u>	<u></u>	<u></u>	<u></u>
Operating.....	<u></u>	<u></u>	<u></u>	<u></u>
Travel.....	<u></u>	<u></u>	<u></u>	<u></u>
Capital outlay.....	<u></u>	<u></u>	<u></u>	<u></u>
Aid.....	<u></u>	<u></u>	<u></u>	<u></u>
Capital improvements.....	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL.....	<u></u>	<u></u>	<u></u>	<u></u>

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

2023

LB⁽¹⁾ 783

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Metropolitan Community College

Prepared by: ⁽³⁾ Brenda Schumacher Date Prepared: ⁽⁴⁾ 1/25/2023 Phone: ⁽⁵⁾ (531)622-2406

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	_____	<u>0</u>	_____	<u>0</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	<u>0</u>	_____	<u>0</u>
TOTAL FUNDS	<u>_____</u>	<u>0</u>	<u>_____</u>	<u>0</u>

Explanation of Estimate:

Through FY 24-25, I do not believe this bill would have any effect on our revenue and expenses because we have the authority to levy taxes until FY 26-27. Just because it would not have an effect on MCC for the next two fiscal years does not mean that it will not in future years. Beginning with FY 26-27, MCC projects that we would lose all of our property tax resulting in the loss of a significant portion of our total revenue. The current projection for property tax for general and capital funds for FY 24-25 is \$91,500,000. An increase each year would be projected so that revenue loss would continue to increase with each year following.

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.....	_____	_____	_____	_____

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

2023

LB⁽¹⁾ 783

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Coordinating Commission for Postsecondary Education

Prepared by: ⁽³⁾ Gary Timm Date Prepared: ⁽⁴⁾ 1/23/2023 Phone: ⁽⁵⁾ 402.471.0020

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:

No Fiscal Impact.

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.....	_____	_____	_____	_____

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

2023

LB⁽¹⁾ 783

FISCAL NOTE

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

Prepared by: ⁽³⁾ Rachel Garver Date Prepared: ⁽⁴⁾ January 25, 2023 Phone: ⁽⁵⁾ 402-441-7499

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:

No Fiscal Impact for the County Treasurer's Office for these fiscal years.

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.....	_____	_____	_____	_____

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

2023

LB⁽¹⁾ 783

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2023 Phone: ⁽⁵⁾ 402.434.5660

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:

LB783 would eliminate the taxes levied for community colleges. In 2022, the community colleges had a tax asking of \$263,908,352 across the entire state. If LB783 were enacted, there would be at least a statewide fiscal impact of \$2,639,083 because counties would no longer collect the one percent fee on community college tax collections.

The impact will vary from county to county.

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.....	_____	_____	_____	_____