

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		See Below		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.**

LB 640 amends several sections of statute regarding the school district levy limits, school districts, and the Property Tax Credit Act.

Section 77-3442 is amended to change the maximum levy for school districts from \$1.05 per one-hundred dollars of taxable valuation to \$1.00, beginning with tax year 2018.

New language is added to Section 77-4209 of the Property Tax Credit Act to provide, beginning with tax year 2018, that the Department of Revenue, using data certified by the Department of Education, is to calculate and distribute school district property tax relief aid to each local system that qualifies.

A local system qualifies for such aid when its general fund property tax receipts exceed 60% of its total general fund revenue.

In addition, the bill requires that the property tax gap for each local system that qualifies for school district property tax relief shall equal the general fund property tax receipts minus 60% of the total general fund revenue for the system.

Each local system that qualifies is to be paid property tax relief aid from the Property Tax Credit Cash Fund equal to 75% of the property tax gap for that system. If the total statewide property tax relief aid exceeds the funds available for distribution from the Property Tax Credit Cash Fund, that aid shall be reduced proportionately. Such aid is to be considered a general fund property tax receipt for purposes of future tax year calculations. In addition, the Department of Education is to certify to the Department of Revenue for tax years 2018 and after, the general fund property tax receipts and total general fund revenue for each local system by January 1 of each tax year.

The Department of Education is to also certify to the Department of Revenue the statewide increase in state aid to be paid to local systems as a result of the decrease in the maximum levy and the Department of Revenue is to transfer an amount equal to the statewide increase in state aid from the Property Tax Credit Fund to the Tax Equity and Educational Opportunities Fund.

Section 77-4212 is amended to reduce the amount of property tax credit funds disbursed to counties by the amount transferred for state aid to school districts.

Section 79-1023 is amended to provide that school districts receiving the state aid from the Property Tax Credit Cash Fund shall reduce their budgeted expenditures by 25% of the property tax gap, unless their school board overrides the reduction by a vote of two-thirds of the majority.

Section 77-4212 is amended regarding the intent of the Legislature to fund the Property Tax Credit Act. For tax year 2017, the intent would be to provide \$224 million to fund the credit. This language is legislative intent and not an appropriation, so the fiscal impact of changing the date makes the amount available for the tax credit and the purposes of LB 640 dependent on action taken by the Legislature to appropriate funds for the credit. The fiscal impact is variable, in that the Legislature could choose to fund the credit at the current level, a reduced amount, an increased amount, or not at all. However, based on previous experience we believe the current level of funding for the credit would probably remain at \$224 million. If that is the case, it would have the following fiscal impact:

	<u>FY2017-18:</u>	<u>FY2018-19:</u>	<u>FY2019-20:</u>
Equalization Aid:	\$ 0	\$ 0	\$ 61,686,379
School District Property Tax Relief Aid:	\$ 0	\$ 0	\$ 102,155,267
Total Aid Change:	\$ 0	\$ 0	\$ 163,841,646
Property Tax Credit (current appropriation):	\$ 224,000,000	\$ 224,000,000	\$ 224,000,000
Less: LB 640 increased aid:	\$ 0	\$ 0	(\$163,841,646)
Remainder for Property Tax Credit:	\$ 224,000,000	\$ 224,000,000	\$ 60,158,364

The Department of Revenue indicates that the cost to implement the provisions of LB 640 will be minimal.

We have no basis to disagree with the Department of Revenue's estimate of cost.

<u>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</u>			
LB: 640	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: James Van Bruggen		DATE: 1/30/17	PHONE: <a href="tel:4024714179">(402) 471-4179</a>
COMMENTS: The estimated fiscal impact provided by the Department of Education appears reasonable.			

<u>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</u>			
LB: 640	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: James Van Bruggen		DATE: 2/13/17	PHONE: <a href="tel:4024714179">(402) 471-4179</a>
COMMENTS: Agree with the Department of Revenue's statement of minimal fiscal impact to their agency.			



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

**2017**

**LB<sup>(1)</sup> 640**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Dept. of Education

Prepared by: <sup>(3)</sup> Bryce Wilson

Date Prepared: <sup>(4)</sup> 1/24/17

Phone: <sup>(5)</sup> 402-471-4320

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

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	=====	=====	=====	=====

**Explanation of Estimate:**

LB640 reduces the maximum levy from \$1.05 to \$1.00, which also reduces the Local Effort Rate (LER) from \$1.00 to \$.95. The LER is used to calculate resources for a District in the TEEOSA formula so reducing the LER to \$.95 results in lower resources for schools causing the amount of TEEOSA aid to increase. This bill also provides additional property tax relief for districts that have over 60% of their revenue coming from local property taxes. The state will provide property tax relief aid for 75% of a districts property tax request from the prior year over the 60% threshold. The remaining 25% of property tax requests from the prior year over 60% would need to be made up locally but cannot be accessed by a school district without a two-thirds majority vote of the board thirty days prior to approving the annual budget. All property tax relief aid as well as the difference caused by the change in the LER is to come from the property tax credit fund. Since this change is effective with the 2018 tax year the change would not occur until the FY 2019/20. If this bill was in effect for FY 2017/18 the cost would be \$160,000,000.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18 EXPENDITURES</u>	<u>2018-19 EXPENDITURES</u>
	<u>17-18</u>	<u>18-19</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____