

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$495,543,113		\$730,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$495,543,113</b>		<b>\$730,000,000</b>	

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

LB890 amends several sections pertaining to the Tax Equity & Educational Opportunities Support Act (TEEOSA), creates the Education Stabilization Base Act (ESBA), eliminates provisions relating to Community Achievement Plans (CAP), repeals §79-2122, eliminates obsolete provisions, harmonizes other provisions & carries an emergency clause.

- ESBA funding:
  - FY2022-23 - \$550 per student
  - FY2023-24 - \$1,100 per student
  - FY2024-25 & beyond – \$1,100 increased by Basic Allowable Growth Rate (BAGR)
- Early Childhood formula students increases from 60% to 100%
- Resident Individual Income Tax allocation increase from 2.23%:
  - FY2022-23 – 10%
  - FY2023-24 & beyond– 20%
- Hold Harmless, equal to the amount, for FY2022-23 & FY 2023-24 if State Aid is less than FY2021-22 aid amount
- Lower the Local Effort Rate (LER) from \$1.00 to:
  - FY2022-23 – \$0.85
  - FY2023-24 & beyond– \$0.75
- Requires the Nebraska Department of Education (NDE) to calculate Projected General Fund Tax Asking amount
- School Districts can exceed their new levy amount with a two-thirds majority vote of their school board
- Creates State & Local Spending Authority which calculates the district’s budget authority with their exclusions & special education (SPED) expenditures
- Creates State & Local Spending Authority Aid Adjustment to reduce equalization aid if the district’s Formula Needs & Additional Revenue Receipts exceed their Total State & Local Spending Authority

Starting December 15, 2026 & every 4 years thereafter, the Education Committee of the Legislature will submit a report & recommendations regarding TEEOSA. The Education Committee may receive assistance from NDE, the Property Tax Administrator, the Tax Commissioner or their designee, the Legislative Fiscal Analyst or the Budget Division of the Department of Administrative Services (DAS). The chairperson of the Education or Appropriations Committee may request the report on a more frequent basis. The report will include:

- Analysis on the effectiveness of TEEOSA in meeting the intent of §79-1002
- Summary of changes made to TEEOSA since the enactment of this bill & changes made since the last report to the Legislature
- Breakdown of the annual funding from the Insurance Tax Fund, the ESBA Trust Fund, & General Fund
- Financial summary of the ESBA Trust Fund
- Review of property valuation fluctuations
- A year-over-year graphical representation of:
  - LER - §79-1015.01
  - Allocated Income Tax - §79-1005.01
  - BAGR - §79-1025
  - Maximum Levy for General Fund budgets - §77-3442
  - Per Student Equalization Stabilization Base
  - Brief narrative of any extenuating circumstances that may have affected the districts
  - Any proposed statutory changes to the calculations

The priorities of changes to TEEOSA should the Legislature find them necessary are:

- Increase the ESBA to be paid for each formula student by no greater than the necessary amount to cover the deficit not exceeding the amount available for this purpose for one year
- Adjust the LER somewhere between \$0.75 to \$0.85
- Adjust the Base Limitation

ENPENDITURES:

All expenditures go towards aid to the school districts but General Funds will need to be utilized if ESBA funding does not cover the entire calculated amount of TEEOSA aid for that fiscal year.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	890	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
REVIEWED BY:	Gary Bush	DATE:	1/19/22 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provide of the bill's impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	890	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue
REVIEWED BY:	Gary Bush	DATE:	1/20/22 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provide for the impact to the agency to implement the provisions of the bill.			



**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			\$495,543,113	\$730,000,000
Capital improvements.....				
TOTAL.....			\$495,543,113	\$730,000,000



LB 890 contains an emergency clause and becomes law upon enactment.

There are minimal costs to DOR to implement LB 890.

LB 890 significantly alters TEEOSA, which will have a corresponding impact on General Fund expenditures as detailed by the Department of Education. The General Fund will also be used to supplement any shortfall in the Education Stabilization Base Aid Trust Fund as prescribed by LB 890.