

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2022-23 | | FY 2023-24 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | \$101,157 | | \$104,991 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | \$101,157 | | \$104,991 | |

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

LB986 amends §77-1632 & §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 on an annual basis. Each school district's prior year property tax request is increased by the highest percent of the following:

- Base growth percentage
- Annual percent increase in student enrollment multiplied by four-tenths
- Percent obtained by dividing the annual increase in the total of Limited English Proficiency (LEP) students by the student enrollment then multiplied by twenty-five hundredths
- Percent obtained by dividing the annual increase in the total of poverty students by the student enrollment then multiplied by twenty-five hundredths

The authority is then adjusted by the increase or decrease of the district's non-property tax revenue by positive or negative change of the previous years' non-property tax revenue amount.

Districts can exceed their calculated amount by one of the following:

- A vote of 60% of the majority of legal voters
- A vote of 75% of the district's school board with changes not to exceed:
 - 7% for districts with Average Daily Membership (ADM) of 471 or fewer students
 - 6% for districts with Average Daily Membership (ADM) of 472 to 3,044 students
 - 5% for districts with Average Daily Membership (ADM) of 3,045 to 10,000 students
 - 4% for districts with Average Daily Membership (ADM) of 10,001 or greater students

Bond principal and interest are not subject to this Act. Districts can carry over unused authority to future years.

Districts must submit provided documents annually to NDE on or before September 20 showing they've met the calculated tax request, failure for not complying to the limits provided will result in the Commissioner of NDE withholding any state aid granted through the Tax Equity & Educational Opportunities Support Act (TEEOSA) until the districts submit the required documents that show the district has met the requirements of the Act are met. TEEOSA may be withheld for up to six months. If districts comply within the six months, they will receive all of the withheld aid. If districts do not comply within the designated six months, the withheld TEEOSA will revert back to the General Fund.

EXPENDITURES:

For FY2022-23, NDE estimates the need for an additional FTE to implement, monitor, and evaluate the Act. That FTE will create operating expenses of \$101,157.

For FY2023-24, the estimated operating expenses for the FTE will increase by 3.79% to \$104,991.

CONTINUED

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
|--|-----------|-------|--|
| LB: | 986 | 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. Disagree with the salary increase of 4% in FY2023-24. Over the past several years, the agency has provided a salary increase of 1% to 3% to their employees. | | | |

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
|---|-----------|-------|--|
| LB: | 986 | AM: | AGENCY/POLT. SUB: Nebraska Department of Revenue |
| REVIEWED BY: | Gary Bush | DATE: | 1/18/22 PHONE: (402) 471-4161 |
| COMMENTS: No basis to disagree with the estimate provided by the agency that there would be no fiscal impact to the state to implement the provisions of the bill. It is unknown what the fiscal impact would be on school district taxpayers. | | | |

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

2022

LB⁽¹⁾ 986

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/18/22 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2022-23</u> | | <u>FY 2023-24</u> | |
|---------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | \$101,157 | | \$104,991 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | <u>\$101,157</u> | | <u>\$104,991</u> | |

Explanation of Estimate:

LB 986 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 the greater of 2.5% or the percentage increase in the Consumer Price Index.
- 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 especially with the short turnaround required since budgets are due September 30th and the information is due to NDE on September 20th.

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> |
| Program Specialist III | 1.0 | 1.0 | \$59,086 | \$61,449 |
| Benefits..... | | | \$36,778 | \$38,249 |
| Operating..... | | | \$5,293 | \$5,293 |
| Travel..... | | | | |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | \$101,157 | \$104,991 |

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: Tony Fulton

Date Prepared: 1/14/2022

Phone: 471-5896

Table with columns for fiscal years (FY 2022-2023, FY 2023-2024, FY 2024-2025) and rows for Expenditures and Revenue, totaling \$0.

LB 986 creates the School District Property Tax Limitation Act (Act), which limits the extent to which a school district’s property tax request may be increased on an annual basis.

Section 2 defines:

- Property tax request as the amount of the property taxes requested to be raised by a school district through the levy in Neb. Rev. Stat. § 77-1601;
Property tax request authority means the amount that may be included in a property tax request as determined pursuant to the Act; and
Base growth percentage means the greater of
a) Two and one-half percent or
b) The percentage increase in the Consumer Price Index for a year ending in June 30th in the year the request is made.

Section 3: Except as provided in sections 4 and 5 of the Act, prohibits a school district’s tax request from exceeding its property tax request authority, this is calculated on an annual basis by the State Department of Education (DOE) as follows:

- (2)(a) Start with the school district’s property tax request from the prior year, increased by the highest of the following percentages:
i. The base growth percentage
ii. The annual percentage increase in the student enrollment of the school district multiplied by 0.4
iii. The percentage obtained by first dividing the annual increase in the total number of limited English proficiency students in the school district by the student enrollment of the school district and then multiplying the quotient by 0.25
(2)(b) Then take the amount determined in (2)(a) and either:
i. Subtract the increase in the school district’s total non-property-tax revenue from the prior year to the current year or

Major Objects of Expenditure

Table with columns for Class Code, Classification Title, and FTE/Expenditures for years 22-23, 23-24, and 24-25.

- ii. Add the decrease in the school district's total non-property-tax revenue from the prior year to the current year.
- (3) The department will certify the amount determined for each school district's property tax request authority under this section to the district's school board.

Section 4: This Act does not apply to the portion of a school district's property tax request that is needed to pay the principal and interest on approved bonds.

Section 5: A school district's property tax request may exceed its property tax request authority in the following instances:

- 1) When 60% of legal voters vote to do so by the specific amount in a special election called by
 - a) The district's school board; or
 - b) A petition signed by at least 5% of legal voters in the school district.

The recommendation or petition must include the proposed increase to the district's property tax request and such special election must be held within 30 days of receipt of the recommendation or petition. The cost of the special election will be paid by the school board.

- 2) When 75% of school board members vote to do so by specific percentage, which cannot exceed:
 - a) 7% for school districts with an average daily membership of no more than 471 students;
 - b) 6% for school districts with an average daily membership of more than 471 students, but no more than 3,044 students;
 - c) 5% for school districts with an average daily membership of more than 3,044 students but no more than 10,000 students; or
 - d) 4% for school districts with an average daily membership of more than 10,000 students.
- 3) When the voters at a levy override election under section 7703444 held prior to January 1, 2023 vote to approve a property tax authority.

Section 6: When a school district does not increase its property tax request by the full amount allowed, the unused amount of property tax request authority may be carried forward and used in later years for increases in the school district's property tax request. The DOE must calculate each school district's unused property tax request authority and submit an accounting of such amount to the school board of the school district.

Section 7: School districts will submit forms to the DOE to help the department keep track of each district's property tax request authority and unused property tax request authority. Forms are due to the DOE on or before September 20 of each year. Failure to submit the required forms to comply with this Act will result in the Education Commissioner withholding TEEOSA state aid until the failure is addressed. State-aid will be withheld for 6 months, if the failure persists, the state-aid will go to the General Fund.

Section 8: The DOE may adopt and promulgate rules and regulations to carry out the School District Property Tax Limitation Act.

Section 9 amends Neb. Rev. Stat. § 77-1632 to make it clear that if a political subdivision seeks to set its property tax request by more than the allowable growth percentage, it may do so only to the extent allowed by law

regardless of whether the annual assessment of property results in an increase, decrease, or no change to the total property taxes levied by political subdivision.

Section 10 amends Neb. Rev. Stat. § 77-1633 to make it clear that if a political subdivision seeks to increase its property tax request by more than the allowable growth percentage, it may do so only to the extent allowed by law.

This act becomes operative on January 1, 2023.

LB 986 is estimated to have no impact on the General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement LB 986.