LB 320

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	3-24	FY 2024-25				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$293,791,491	(\$45,000,000)	\$312,537,646	(\$105,333,000)			
CASH FUNDS		\$45,000,000		\$105,333,000			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$293,791,491	\$0	\$312,537,646	\$0			

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

LB320 amends several sections relating to the Tax Equity & Educational Opportunities Support Act (TEEOSA) & creates the Tax Equity & Educational Opportunities Support Act Trust Fund.

Every year beginning in 2023, the Department of Revenue will certify to the State Treasurer the amount of credits that remain unclaimed under the Nebraska Property Tax Incentive Act for the tax year completed three years prior. The State Treasurer will transfer that amount from the General Fund to the Tax Equity & Educational Opportunities Support Act Trust Fund.

The State Treasurer will disburse money from the Tax Equity & Educational Opportunities Support Act Trust Fund to the Nebraska Department of Education (NDE) monthly as appropriated by the Legislature to provide state aid pursuant to (1)(b) of §79-1022. Any excess money in the fund will be reserved for future payments of state aid.

For school fiscal year 2023-24 & each school year thereafter, notwithstanding any other provision of TEEOSA to the contrary, the amount to be distributed to each school district under the act will be greater than or equal to ten percent of basic funding. If the amount to be distributed is less than ten percent of basic funding, it will be increased to equal ten percent of basic funding.

EXPENITURES:

The changes that LB320 will impact the TEEOSA estimate by \$293,791,491 for FY23-24 & \$312,537,646 for FY24-25.

REVENUES:

The Nebraska Department of Revenue estimates that the TEEOSA Trust Fund will create a transfer from the General Fund to Cash Funds of \$45,000,000 for FY23-24 & 105,333,000 for FY24-25.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB:	LB: 320 AM: AGENCY/POLT. SUB: Nebraska Department of Education					
REV	IEWED BY:	Gary Bush	DATE:	1/19/23	PHONE: (402) 471-4161	
COMMENTS: Unable to provide comment as the agency did not provide an estimate on the fiscal impact.						

,	ADMINISTR	ATIVE SERVICE	S STATE BUDGET DIVISION	: REVIEW OF AG	GENCY & POLT. SUB. RESPONSE	
LB:	320	AM:	AGENCY/POLT. SUB: N	ebraska Departm	ent of Revenue	
REV	EWED BY:	Gary Bush	DATE:	2/10/23	PHONE: (402) 471-4161	
COMMENTS: No basis to disagree with the agency estimate of the revenue shift from General Fund to a trust fund. There would be a significate impact to the TEEOSA school aid formula with the change to how much of the value of land						

can be used for determining the amount of taxes available to the district. The bill would not change how much a school district can actually collect in property taxes.

Technical note: The bill calls for a trust fund to be created, which is different from a cash fund.

	ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB:	320	AM:	AGENCY/POLT. SUB:	State Treasurer			
REV	IEWED BY:	Gary Bush	DATE:	1/19/23	PHONE: (402) 471-4161		
CON	COMMENTS: Agree with the agency that there would be no fiscal impact.						

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 320				FISCAL NOTE
State Agency OR P	olitical Subdivision Name: (2)	NE Dept of Educa	tion	
Prepared by: ⁽³⁾	Bryce Wilson/Kevin Lyons	Date Prepared: ⁽⁴⁾	1-17-2023 Ph	one: (5) 402-471-4320
	ESTIMATE PROVI	DED BY STATE AGEN	NCY OR POLITICAL SU	BDIVISION
	FY	2023-24	F	Y 2024-25
	EXPENDITURES	REVENUE	EXPENDITURES	
GENERAL FUN	DS			
CASH FUNDS				
FEDERAL FUNI	08			
OTHER FUNDS				
TOTAL FUNDS			-	

Explanation of Estimate:

This bill in the current form reduces valuations for TEEOSA purposes as follows: real property other than agricultural and horticultural land is reduced from 96% to 86%, agricultural and horticultural land will be reduced from 72% to 42%. Decreasing the recognized value for TEEOSA purposes would cause equalization aid to increase but the amount cannot be determined at this time.

For school fiscal year 2023-24 and each year after for TEEOSA, the amount distributed to each local system under the act and certified shall be greater than or equal to 10% of basic funding. If the amount is less than 10% of basic funding, it shall be increased to equal 10% of basic funding. Not taking into consideration the change in the valuation percentages the 10% basic funding minimum would have increased TEEOSA by \$54.5 million using the 2022/23 TEEOSA certification information.

The bill also creates a TEEOSA Trust Fund in which the Dept. of Revenue shall certify unclaimed credits under the NE Property Tax Incentive Act for the tax year completed 3 years prior. The State Treasurer will transfer money to the TEEOSA Trust Fund, with the money to be held solely for the additional funding to be used for the 10% of basic funding requirement. Any leftover money in the TEEOSA Trust Fund will be reserved for future payment pursuant of this fund. Estimated amounts for the TEESOA Trust fund cannot be calculated at this time.

BREAKI	OOWN BY MAJ	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS <u>23-24</u> <u>24-25</u>		2023-24 <u>EXPENDITURES</u>	2024-25 <u>EXPENDITURES</u>
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

State Agency Estimate						
State Agency Name: Department of	Revenue		Date Due LFO:			
Approved by: Glen White		Date Prepared:	02/09/2023		Phone: 471-5896	
	FY 202	3-2024	<u>FY 202</u>	24-2025	FY 202	25-2026
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$ (45,000,000)		\$ (105,333,000)		Indeterminable
Cash Funds		\$45,000,000		\$105,333,000		
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		Indeterminable
Cash Funds Federal Funds Other Funds		Revenue \$ (45,000,000) \$45,000,000		Revenue \$ (105,333,000) \$105,333,000		Revenue Indeterminable

LB 320 amends Neb. Rev. Stat. § 79-1001 to create a trust fund for the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Neb. Rev. Stat. § 79-1016 is amended to change the valuation for calculating the amount of state aid. The percent of actual value for real property is changed from 96% to 86%; and the percent of actual value for agricultural and horticultural land and land receiving special valuation is changed from 72% to 42%.

A TEEOSA Trust Fund for the Tax Equity and Education Opportunities Support Act is created and adds language that provides how the trust fund is funded. Beginning in 2023, and every year after, the Department of Revenue must disclose to the State Treasurer the amount of credits that are unclaimed under the Nebraska Property Tax Incentive Act for the tax year completed three years prior. The State Treasurer must transfer such amount from the General Fund to the TEEOSA Trust Fund.

The operative date for LB 320 is three months after enactment.

LB 320 is estimated to have the following fiscal impact to the General Fund revenues and the Trust Fund as follows:

	General Funds revenue	Trust Fund
FY23-24	\$ (45,000,000)	\$ 45,000,000
FY24-25	\$ (105,333,000)	\$ 105,333,000
FY25-26	Indeterminable	Indeterminable

Note that the above estimates can change as taxpayer can still file their 2020 amended return to claim the 2020 refund until the end of 2023 tax year. The estimates for FY24-25 also depends on how many individuals file amended return to claim the credit from now until the end of 2024, therefore the estimate above is our best estimate at the current time. Any fiscal impact to the General Funds revenue and the trust fund in future fiscal years are indeterminable at this time.

Major Objects of Expenditure								
Class Code	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 <u>Expenditures</u>	24-25 <u>Expenditures</u>	25-26 <u>Expenditures</u>	
Benefits					•			
Operating Costs								
Capital Outlay								
	Capital Improvements							
	Total							

LB320 alters the state aid value of TEEOSA fund, which will have a corresponding impact on General Fund expenditures.

It is estimated that there will be minimal costs to Department of Revenue to implement this bill.

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LB ⁽¹⁾	320					FISCAL NOTE
State Ag	ency OR Polit	ical Subdivision Name: ⁽²⁾	State Treasurer			
Prepare	d by: ⁽³⁾ Ja	ason Walters	Date Prepared: ⁽⁴⁾	January 13, 2023	Phone: ⁽⁵⁾	402-471-2793
		ESTIMATE PROVI	DED BY STATE AGEN	NCY OR POLITICAL	<u>SUBDIVIS</u>	ION
		FV	2023-24		FY 2024	-95
		EXPENDITURES	<u>REVENUE</u>	EXPENDITU		<u>REVENUE</u>
GENER	AL FUNDS					
CASH F	UNDS					
FEDER	AL FUNDS					
OTHER	R FUNDS					
TOTAL	L FUNDS					
Explana	tion of Estin	nate:				

The State Treasurer's Office doesn't expect any fiscal impact from LB 320 to the office.

<u>BREAKI</u>	<u>DOWN BY MAJ</u>	OR OBJECTS O	<u>F EXPENDITURE</u>	
Personal Services:				
	NUMBER OF	POSITIONS	2023-24	2024-25
POSITION TITLE	23-24	<u>24-25</u>	EXPENDITURES	EXPENDITURES
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL	•••			