PREPARED BY: DATE PREPARED: PHONE: Bill Biven, Jr. March 06, 2023 402-471-0054

**LB 320** 

Revision: 01

# **FISCAL NOTE**

Revised to update the fiscal impact.

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)									
	FY 202	FY 20	24-25						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE					
GENERAL FUNDS	\$248,791,491	(\$45,000,000)	\$207,204,646	(\$105,333,000)					
CASH FUNDS	\$45,000,000	\$45,000,000	\$105,333,000	\$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.

#### **TECHNICAL NOTE:**

The look back period in the bill is three years. The Department of Revenue notes that taxpayers can claim the tax credit until three years after the filing of the initial credit. For example: a taxpayer can claim the property tax credit for tax year 2020 until April 15, 2024. As such, the amount credited to the cash fund is certified before the amount of unclaimed credits is a final number, & as a result, there will be an ongoing loss of General Fund revenue if taxpayers claim the credit after the transfer amount is certified.

#### **EXPENITURES:**

The changes that LB320 will impact the TEEOSA estimate by \$293,791,491 for FY23-24 & \$312,537,646 for FY24-25. A portion will be paid from the TEEOSA Trust Fund.

### **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.

Α	ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB:	320	AM:	AGENCY/POLT. SUB: N	ebraska Departme	ent of Education			
REVII	REVIEWED 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.								

## ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 320 AM: AGENCY/POLT. SUB: Nebraska Department of Revenue

REVIEWED 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

REVIEWED BY: Gary Bush DATE: 1/19/23 PHONE: (402) 471-4161

COMMENTS: Agree with the agency thattre there would be no fiscal impact.

TOTAL.....

LB <sup>(1)</sup> 3	320							FISCAL NOTE
State Agend	cy OR P	olitical S	Subdivision Name: (2	, NE C	ept of Educat	tion		
Prepared b	by: <sup>(3)</sup>	Bryce	Wilson/Kevin Lyo	ns Da	te Prepared: <sup>(4)</sup>	1-17-2023	Phone:	(5) 402-471-4320
			ESTIMATE PRO	VIDED BY	Y STATE AGEN	CY OR POLIT	ICAL SUBDI	VISION
			<u>FY</u> EXPENDITURE	<u>Y 2023-24</u> E <u>S</u>	<u>4</u> <u>REVENUE</u>	<u>EXPENI</u>	FY 20 DITURES	024-25 <u>REVENUE</u>
GENERAL	L FUNI	DS						
CASH FU	NDS			_				
FEDERAL	L FUNI	OS						
OTHER F	UNDS							
TOTAL F	UNDS							
Explanatio	on of Es	stimate:		_ =				
the act an funding, i valuation 2022/23. The bill at NE Properthe TEEC basic fund	d certi t shall percen TEEO lso crea erty Ta OSA T ding re	fied shate be increased the second se	all be greater than eased to equal 10 he 10% basic fun tification informa TEEOSA Trust F ntive Act for the t nd, with the mon	or equal % of basiding minition.  fund in wlatax year coney to be let money in	to 10% of basic ic funding. Not imum would hat hich the Dept. of ompleted 3 year held solely for the	e funding. If the taking into cover increased To the second of Revenue shades prior. The Second of the additional for the Trust Fund were second or the second of the seco	he amount is nsideration to EEOSA by \$\frac{1}{2}\$  Ill certify uncountate Treasure unding to be ill be reserve	\$54.5 million using the laimed credits under the er will transfer money to used for the 10% of d for future payment
Personal S	Services	S:	<u>BREAKDO</u>	WN BY M	1AJOR OBJECT	S OF EXPEND	<u>ITURE</u>	<del></del>
1	POSIT	ION TI		NUMBER <u>23-24</u>	OF POSITIONS <u>24-25</u>		3-24 DITURES	2024-25 EXPENDITURES
Benefits								
Operating	;							
Travel								
-	•							
Capital im	proven	nents						

LB 320 Fiscal Note 2023

	State Agency	Estimate			
of Revenue				Date Due LFO:	
	Date Prepared:	02/09/2023		Phone: 471-5896	
FY 202	23-2024	FY 202	<u>24-2025</u>	FY 202	<u>25-2026</u>
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
	\$ (45,000,000)		\$ (105,333,000)		Indeterminable
	\$45,000,000		\$105,333,000		
				<u> </u>	
	\$ 0		\$ 0		Indeterminable
	FY 202	Date Prepared:	Date Prepared: 02/09/2023     Separation   O2/09/2023     Separation   O2/09/2023     Separation   O2/09/2023     Separation   O2/09/2023     Separation   O2/09/2023     Separation   Separation   O2/09/2023   Separation   O2/09/2023   Separation   O2/09/2023   Separation   O2/09/2023   Separation   O2/09/2023   Separation   Separation   O2/09/2023   Se	Date Prepared:   02/09/2023     FY 2023-2024   FY 2024-2025     Expenditures   Revenue     \$ (45,000,000)   \$ (105,333,000)     \$ 45,000,000   \$ 105,333,000	Date Due LFO:   Date Prepared:   02/09/2023   Phone: 471-5896

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	Trust Fund		
	revenue			
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 Expenditures	24-25 Expenditures	25-26 Expenditures	
Travel								
	s							
Total								

LB 320 page 2 Fiscal Note 2023

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.

<b>LB</b> <sup>(1)</sup> 320					FISCAL NOTE
State Agency OR Politic	al Subdivision Name: (2)	State Treasurer			
Prepared by: (3) Jas	on Walters	Date Prepared: <sup>(4)</sup>	January 13, 2023	Phone: (5)	402-471-2793
	ESTIMATE PROVI	DED BY STATE AGEN	NCY OR POLITICAL	SUBDIVIS	SION
	EV.	2023-24		FY 2024	05
	EXPENDITURES		EXPENDITU		REVENUE
GENERAL FUNDS					
CASH FUNDS			<u>-</u>		
FEDERAL FUNDS			-		
OTHER FUNDS					
TOTAL FUNDS			_		
TOTAL FUNDS					
<b>Explanation of Estima</b>	te:				
Personal Services:	BREAKDOW	N BY MAJOR OBJECT	S OF EXPENDITU	<u>RE</u>	
POSITION 7		UMBER OF POSITION 23-24 24-25	S 2023-24 <u>EXPENDITU</u>		2024-25 EXPENDITURES
Benefits					
Operating					
Travel					
Capital outlay					
Aid					
Capital improvements					
TOTAL					