

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below	See below	See below	See below
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

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

LB518 amends & revises several sections to adopt the Reducing Education Risk Factors & Property Tax Relief Act, changes the distribution of certain tax proceeds, & creates the Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund under the Tax Equity & Educational Opportunities Support Act (TEEOSA).

LB518 makes the following changes to the seventy-five percent:

FUND:	Current Law:	LB518:
Compulsive Gamblers Assistance Fund	2.5%	2.5%
General Fund	2.5%	2.5%
Property Tax Credit Cash Fund	70%	35%
Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund	0%	35%

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 two years prior. The State Treasurer will transfer that amount from the General Fund to the Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund.

The State Treasurer will disburse money from the Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund to the Nebraska Department of Education (NDE) monthly as appropriated by the Legislature to provide reducing education risk factors & property tax relief aid. Any excess money in the fund will be reserved for future payments of reducing education risk factors & property tax relief aid.

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.

EXPENDITURES:

NDE estimates the need for an additional FTE to curate the evidence-based practices to reduce risk factors, support schools in implementation, & monitor the use of funds. For FY2023-24, the FTE has a salary/benefits expenses of \$117,535, operating expenses of \$12,120, & travel expenses of \$9,452. For FY2024-25, the FTE has a salary/benefits expenses of \$119,983, operating expenses of \$8,408, & travel expenses of \$9,736.

REVENUES:

The Nebraska Department of Revenue estimates that the Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund will create a transfer from the General Fund to Cash Funds of \$110,156,000 for FY23-24 & indeterminable for the years following.

By transferring the unclaimed credits to the Reducing Education Risk Factors & Property Tax Relief Aid Trust Fund, there will be a loss in the Nebraska Property Tax Credit Cash Fund.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	518	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
REVIEWED BY:	Gary Bush	DATE:	2/8/23 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the fiscal impact provided by the agency. The impact to the TEEOSA aid formula is likely to be significant and is unlikely to provide any tax relief.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	518	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY:	Gary Bush	DATE:	3/2/23 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided by the agency.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	518	AM:	AGENCY/POLT. SUB: Treasurer
REVIEWED BY:	Gary Bush	DATE:	2/1/23 PHONE: (402) 471-4161
COMMENTS: Agree with the estimate provided by the agency.			

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

2023

LB⁽¹⁾ 518

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NE Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson/Kevin Lyons Date Prepared: ⁽⁴⁾ 1-24-2023 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$139,107		\$138,127	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate: **\$139,107** **\$138,127**

The bill creates a Reducing Risk Factors and Property Tax Relief Act. For this Act, eligible public-school students who meet one or more of the criteria established in the bill will be included in the funding. The State Board shall identify and approve reducing factors education programs that may be offered by the districts. Each year, the school board of each district shall prepare and submit to the state board a report on the programs providing by the school district to meet the criteria set forth in the bill.

The bill will create a Reducing Risk Factors and Property Tax Relief Aid Trust Fund in which the Dept. of Revenue shall certified unclaimed credits under the NE Property Tax Incentive Act for the tax year completed 2 years prior beginning in 2023. The bill revised State Statute 9-1024 to include the State Treasurer for credit revisions of 35% to Reducing Education Risk Factors and Property Tax Relief Aid Trust Fund and 35% to the Property Tax Credit Cash Fund. The State Treasurer shall disburse money from this fund to the State Dept. of Ed. monthly as appropriated by Legislature. Any excess money in the fund will be reserved for future payment pursuant of this fund.

Reducing risk factors formula students and weighted formula student definitions are revised in the TEEOSA section of 79-1003. Upon receipt of state aid, the portion of such state aid that is reducing education risk factors and property tax relief aid shall be transferred to the Fund. Starting in the 2024/25 school fiscal year, the department shall determine the aid to be paid to each school district from the money transferred to the Trust Fund. The aid shall equal the reducing risk factors weighted formula students multiplied by the statewide BF per formula student.

Estimated amounts for the Reducing Education Risk Factors and Property Tax Relief Aid Trust Fund cannot be calculated at this time due to unknown property tax credits and number of students that would be eligible for the reducing risk factor programs added to TEEOSA funding. The NDE would require an additional staff position to curate evidence-based practices to reduce risk factors, support schools in implementation, and monitor the use of funds.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Education Specialist IV	1	1	75,899	77,417

Benefits.....		41,636	42,566
Operating.....		12,120	8,408
Travel.....		9,452	9,736
Capital outlay.....			
Aid.....			
Capital improvements.....			
TOTAL.....		\$139,107	\$138,127

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:	
Approved by: Glen White		Date Prepared: 03/10/2023	
		Phone: 471-5654	
	FY 2023-2024	FY 2024-2025	FY 2025-2026
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>
	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds			
Cash Funds	\$ (105,333,000)	See Below	See Below
Federal Funds	\$105,333,000		
Other Funds			
Total Funds	\$ 0	See Below	See Below

LB 518 creates the Reducing Education Risk Factors and Property Tax Relief Act (Act) and the Reducing Education Risk Factors and Property Tax Relief Aid Trust Fund (Trust).

Neb. Rev. Stat. § 9-1204 is amended to add language to provide that 75% of the tax imposed by section 9-1203 (gaming tax), must be remitted to the state treasurer for credit as follows: 2.5% to the Compulsive Gamblers Assistance Fund; 2.5% to the General Fund; 35% to the Reducing Education Risk Factors and Property Tax Relief Aid Trust Fund (Fund); and 35% to the Property Tax Credit Cash Fund.

This bill further amends Neb. Rev. Stat. § 79-1022 [TEEOSA State Aid] to include requirements for the Department of Education.

Beginning in 2023, LB 518 requires the Department of Revenue to certify the amount of remaining unclaimed credits from the Nebraska Property Tax Incentive Act for the tax year completed two years prior. The State Treasurer will then transfer that amount from the general fund to the Trust. The funds to the Trust shall also include amounts transferred pursuant to Neb. Rev. Stat. § 9-1204 [racetrack proceeds] available for investment to be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act, and the earnings, if any, must be credited to the fund.

Using data from the Racing and Gaming Commission on gaming taxes and internal data on property tax credits, LB 518 is estimated to have the following fiscal impact to the General Fund revenues, the Property Tax Credit Cash Fund, and the Trust Fund as follows:

Fiscal Year	General Fund	Property Tax Credit Cash Fund	Reducing Education Risk Factors and Property Tax Relief Aid Trust Fund
FY23-24	(\$105,333,000)	(\$4,823,000)	\$110,156,000
FY24-25	Indeterminable	(\$5,788,000)	Indeterminable
FY25-26	Indeterminable	(\$6,945,000)	Indeterminable

Major Objects of Expenditure

Class Code	Classification Title	23-24	24-25	25-26	23-24	24-25	25-26
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
Benefits.....							
Operating Costs.....					\$0		
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....					\$0		

The estimates for FY23-24 depends on how many individuals file amended returns to claim the credit, 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.

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

The operative date of this bill is three months after enactment.

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2023

LB⁽¹⁾ 518

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 26, 2023 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB 518 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____