

Revised to reflect updated data

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2024-25</b>		<b>FY 2025-26</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS			See Below	
CASH FUNDS			See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			See Below	See Below

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

LB9 amends several sections to change provisions relating to property tax levies for school districts & the Nebraska Property Tax Incentive Act; adds, changes, & eliminates certain calculations under the Tax Equity & Educational Opportunities Support Act (TEEOSA); states the intent regarding transfers into the Education Future Fund (EFF); authorizes school districts to levy taxes under certain circumstances; changes the provisions relating to the School District Property Tax Limitation Act & the Nebraska Transformational Project Fund.

School districts & multiple-district school systems maximum levy amounts per \$100 of taxable valuation of property subject to the levy:

- Through 2024-25 - \$1.05
- 2025-26 & 2026-27 - \$0.65
- 2027-28 & 2028-29 - \$0.55
- 2029-30 & 2030-31 - \$0.45
- 2031-32 & 2032-33 - \$0.35
- 2033-34 & each year thereafter- \$0.25

For school year 2025-26 & each school year thereafter, each school district's formula need will equal the difference of the sum of the school district's basic funding, poverty allowance, limited English proficiency allowance, focus school & program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, distance education & telecommunications allowance, community achievement plan allowance, new community achievement plan adjustment, student growth adjustment, any positive student growth adjustment correction, & new school adjustment minus the sum of the limited English proficiency allowance correction, poverty allowance correction, & any negative student growth adjustment correction.

The Allocated Income Tax funds calculated in §79-1005.01, will no longer apply beginning with the TEEOSA calculations for school year 2025-26.

Through school year 2024-25, the Nebraska Department of Education (NDE) will calculate the calculate an Averaging Adjustment for districts with at least nine hundred formula students if the basic funding per formula student is less than the averaging adjustment threshold.

The Averaging Adjustment calculated in §79-1007.18, will no longer apply beginning with the TEEOSA calculations for school year 2025-26.

For real property other than agricultural & horticultural land:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation will be equal to ninety-six percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to eighty-six percent of the actual value

For agricultural & horticultural land:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation of will be equal to seventy-two percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to forty-two percent of the actual value

For agricultural & horticultural land that receives special valuation pursuant to §77-1344:

- For school fiscal years prior to school year 2025-26, the adjusted valuation used for the calculation of will be equal to seventy-two percent of the actual value
- For school year 2025-26, the adjusted valuation used for the calculation will be equal to forty-two percent of the actual value

For school year 2025-26 & each school year thereafter, the Nebraska Department of Education (NDE) will calculate a base levy adjustment for each school district to adjust the calculated state aid amount for the ensuing school year prior to certification.

The base levy will equal fifty percent of the ensuing school year's local effort rate determined by §79-1015.01 for state aid certified pursuant to §79-1022.

The potential general fund levy for the ensuing school year will equal the general fund levy for the school year immediately preceding the school year for which aid is being calculated minus the potential general fund levy change.

The potential general fund levy change will equal the difference between the amount of state aid for the school year immediately preceding the school year for which the aid is being calculated & the state aid calculated for the ensuing school year divided by the adjusted valuation & multiplied by one hundred.

If the potential general fund levy for the ensuing school year is less than the base levy, the difference between those amounts will be multiplied by the adjusted valuation & then divided by one hundred. That amount will then be subtracted from the state aid calculated for the ensuing school year to determine the adjusted amount of state aid to be distributed to the school district in the ensuing school year.

**REVENUE:**

There is intent to transfer:

- \$1.255 billion from the General Fund to the Education Future Fund in fiscal year 2025-26 & fiscal year 2026-27 (an increase of \$1.005 billion each year).
- \$1.508 billion from the General Fund to the Education Future Fund in fiscal year 2027-28 & fiscal year 2028-29 (an increase of \$1.258 billion each year).
- \$1.761 billion from the General Fund to the Education Future Fund in fiscal year 2029-30 & fiscal year 2030-31 (an increase of \$1.511 billion each year).
- \$2.014 billion from the General Fund to the Education Future Fund in fiscal year 2031-32 & fiscal year 2032-33 (an increase of \$1.764 billion each year).
- \$2.267 billion from the General Fund to the Education Future Fund in fiscal year 2033-34 & each fiscal year thereafter (an increase of \$2.017 billion each year).

**EXPENDITURES:**

For fiscal year 2025-26 & each year thereafter, if the amount of money transferred from the General Fund to the Education Future Fund does not equal the amounts described in §79-1021 & is insufficient for any fiscal year to fully fund equalization aid under TEEOSA, each school district can, if approved by a majority vote of the school board, levy an amount for that year sufficient to generate revenue equal to the amount of equalization aid that should have been provided to the school district for that year.

By lowering the levy lid, lowering the local effort rate, removing the allocated income tax, removing the averaging adjustment, & the lowering of the adjusted valuations being used in the 2025-26 TEEOSA calculation, the Legislative Fiscal Office estimates the following:

	<b>2025-26</b>	<b>2026-27</b>
<i>Education Future Funds and State General Funds</i>	\$2,186,592,814	\$2,230,182,822
<i>Insurance Premium Tax</i>	\$42,500,000	\$45,000,000
<b>Total TEEOSA Aid</b>	<b>\$2,229,092,814</b>	<b>\$2,275,182,822</b>

These estimates result in an increase in total TEEOSA aid of \$1.066 billion in FY26 and \$1.106 billion in FY27, as compared to estimates under current law.

This estimate does not include any calculations that NDE would do concerning the base levy, potential general fund levy or any changes to each individual school district's levy amount, but this estimate will be updated should any further data be received.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>		
<b>LB: 9</b>	<b>AM:</b>	<b>AGENCY/POLT. SUB: NE Dept of Education</b>
<b>REVIEWED BY:</b> Kimberly Burns	<b>DATE:</b> 07/29/2024	<b>PHONE:</b> (402) 471-4171
<b>COMMENTS:</b> No basis to disagree with the Nebraska Department of Education's assessment of indeterminant fiscal impact from LB 9 at this time.		

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2024

LB<sup>(1)</sup> 9

FISCAL NOTE

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

Prepared by: (3) Bryce Wilson Date Prepared: (4) 7/27/24 Phone: (5) 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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:

LB 9 changes the maximum levy from \$1.05 down to \$.65 for 2025/26 and 2026/27 then continues to decrease the maximum levy by \$.10 every 2 years until it reaches \$.25 in 2033/34 and years thereafter. Reducing the maximum levy also reduces the local effort rate used to multiply the adjusted valuation for each district when determining the local effort rate in TEEOSA. The change will significantly reduce valuations recognized in the formula and require additional State funding for TEEOSA.

This bill also makes the following changes.

- Eliminates the Income Tax Rebate.
- Eliminates the Averaging Adjustment.
- Changes adjusted valuation for residential and commercial property from 96% to 86%.
- Changes adjusted valuation for agricultural, horticultural, and special valuation from 72% to 42%.
- Creates a base levy adjustment when a districts potential levy is less than the base levy which is half of the ensuing years local effort rate.

This bill also has a provision to allow school district boards to levy additional funds if the State doesn't meet it's requirements as defined by General Fund transfers to the Education Future Fund as follows:

- 1,255,000,000 for 2026/27
- 1,508,000,000 for 2027/28 & 2028/29
- 1,761,000,000 for 2029/30 & 2030/31
- 2,014,000,000 for 2031/32 & 2032/22
- 2,267,000,000 for 2033/34 and thereafter.

Additionally, this bill eliminates the Special Building Fund from the property tax authority certification. The General fund would be the only fund property tax authority would apply to beginning in 2025/26. This bill also eliminates unused board adopted property tax authority from being carried over to future years.

The fiscal impact for this bill cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____

<b>Benefits</b> .....				
<b>Operating</b> .....				
<b>Travel</b> .....				
<b>Capital outlay</b> .....				
<b>Aid</b> .....				
<b>Capital improvements</b> .....				
<b>TOTAL</b> .....				

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**2024**

**LB<sup>(1)</sup> 9 Special Session**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 7/26/2024 Phone: <sup>(5)</sup> 402.434.5660

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

**Explanation of Estimate:**

LB 9 would change provisions relating to property tax levies for school districts. Counties receive a 1 percent commission on property taxes distributed. A reduction in property taxes through a distribution model that does not go through the county treasurer would reduce revenues by 1 percent of any amount not distributed by the treasurer.

Furthermore, within the School District Property Tax Relief Act, county treasurers would be required to calculate and distribute billions of dollars of relief to schools without a mechanism to fund counties for their work and expenses associated with software adjustments and other requirements. Over a \$15 million reduction for administrative work and resources related to assessment, taxation, hearings, distribution and archiving for administrative work, software, citizen engagement and other resources related to assessment, hearings, collecting, and distribution of tax dollars would be incurred. Without commissions these expenses could result in a shift to property taxes, cuts to services, inability to fulfill state and federal mandates or a combination of these options.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25 EXPENDITURES</u>	<u>2025-26 EXPENDITURES</u>
	<u>24-25</u>	<u>25-26</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>