

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 158 amends property tax assessment provisions to set the assessed valuation of real property on January 1, 2020, to be the same as it was on January 1 of the prior year plus the cost of any improvements made in the prior year and minus the assessed value of any improvements destroyed or removed in the prior year, and likewise for tax years 2021, 2022, and 2023.

LB 158 will have a fiscal impact to political subdivisions, but it is not possible to estimate the amount of the fiscal impact to each political subdivision. Generally, according to Department of Revenue, Division of Property Tax Assessment data, since 2009 approximately 1% of the total change in valuation can be attributed to “real property growth,” which includes new construction, additions to existing buildings, and improvements to real property that increase the value of the property. Real property growth varies by type of property.

Under LB 158, changes in assessed value will account for real property growth and any changes in valuation due to improvements destroyed or removed, but will not account for increases or decreases in market value. In some cases, these provisions will result in a reduction of property tax revenue. The city of Omaha, for example, estimates LB 158 will reduce its property tax revenue by \$5.4 million in FY20-21, and the city of Lincoln estimates a \$1.193 million reduction in property tax revenue in FY20-21. The fiscal impact will vary depending on whether the political subdivision: (1) has property that is increasing or decreasing in market value; (2) has a higher percentage of the types of property with higher real property growth; or (3) has a current levy near its limitation.

In regard to the bill’s impact on assessment procedures, Lancaster County estimates that the bill will not have a fiscal impact because property listings will need to be maintained. LB 158 does not amend any requirements related to the duties of county assessors, so this estimate is reasonable.

In addition to the fiscal impact to political subdivisions, there may be an impact to the state. As written, LB 158 does not amend provisions related to adjusted valuation for purposes of the TEEOSA formula, and therefore, the Legislative Fiscal Office estimates that the current law applies, and there is no estimated impact to TEEOSA aid.

However, if the provisions regarding adjusted valuation were amended to reflect the assessed values of property as described in LB 158, there is a fiscal impact to the General Fund due to an increase in TEEOSA aid. With changes to adjusted valuation provisions, the Legislative Fiscal Office calculates the assessment procedures in LB 158 result in an annual valuation decline of \$1.7 billion that compounds each year, causing TEEOSA aid to increase by \$34.4 million annually. Returning to valuation procedures prescribed in current law in 2024 results in a large reduction in TEEOSA aid. The overall impact is shown in the following table:

Valuation Year	School Aid Year	Annual TEEOSA Impact	Compounded TEEOSA Impact
2018	FY19-20	0	0
2019	FY20-21	0	0
2020	FY21-22	\$34,400,000	\$34,400,000
2021	FY22-23	\$34,400,000	\$68,800,000
2022	FY23-24	\$34,400,000	\$103,200,000
2023	FY24-25	\$34,400,000	\$137,600,000
2024	FY25-26	(\$135,200,000)	\$2,400,000

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 158	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Ann Linneman	DATE: 1-22-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Nebraska Department of Education's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 158	AM:	AGENCY/POLT. SUB: City of Lincoln	
REVIEWED BY: Ann Linneman	DATE: 1-23-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the City of Lincoln's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 158	AM:	AGENCY/POLT. SUB: City of Omaha	
REVIEWED BY: Ann Linneman	DATE: 1-22-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the City of Omaha's assessment of fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 158	AM:	AGENCY/POLT. SUB: Lancaster County Assessor-Register of Deeds Office	
REVIEWED BY: Ann Linneman	DATE: 1-16-19	PHONE: (402) 471-4180	
COMMENTS: Concur with the Lancaster County Assessor-Register of Deeds Office's estimate of no fiscal impact.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 158	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials	
REVIEWED BY: Ann Linneman	DATE: 1-16-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Nebraska Association of County Officials' assessment of fiscal impact.			

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFA: 1/18/19
 Approved by: Tony Fulton Date Prepared: 1/17/19 Phone: 471-5896

	FY 2019-2020		FY 2020-2021		FY 2021-2022	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$0		\$0		\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$0		\$0		\$0

LB 158 amends Neb. Rev. Stat. § 77-1301 to set the assessed value of real property, beginning on January 1, 2020 and ending on January 1, 2023, at the same assessed value as the assessed value on January 1st of the year prior, plus the cost of any improvements, and minus the assessed value of any improvements that were destroyed or removed over the course of the previous year.

This bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

It is estimated that there will be no immediate cost to the Department to implement this bill.

The operative date for this bill is three months after adjournment.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>19-20 FTE</u>	<u>20-21 FTE</u>	<u>21-22 FTE</u>	<u>19-20 Expenditures</u>	<u>20-21 Expenditures</u>	<u>21-22 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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

2019

LB⁽¹⁾ 158

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/16/19 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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 158 essentially freezes valuations on real property through 2023 other than allowing for increases for the cost of improvements or reductions for real property that has been destroyed or removed since the prior year.

Freezing valuations will affect TEEOSA but it cannot be determined how as some valuations are likely to increase while others will decrease. Currently, agricultural and horticultural land is starting to decrease while residential and commercial is increasing thus freezing valuations may limit some of the TEEOSA shift back to the rural districts while allowing for more aid to go to urban districts currently experiencing valuation growth.

Fiscal impact cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 158 (REVISED)

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ Brandon Kauffman Date Prepared: ⁽⁴⁾ 1/22/19 Phone: ⁽⁵⁾ 441-7412

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	<u>(1,193,000)</u>	<u>(1,193,000)</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>(1,193,000)</u>	<u>(1,193,000)</u>

Explanation of Estimate:

The City of Lincoln does not currently have valuations for the 2019-2020 these numbers are based upon estimates of new construction impact in the community over the last 5 years. Comparing the new growth which would add value to the assessed valuation compared to a flat assessed value for currently assessed properties, this would cause an estimated shortfall of \$(1,193,000) in the taxing funds for the City of Lincoln. This would require budget cuts of \$1.2 million or and adjustment to the tax rate to make up for lost revenue based on a fixed rate of valuation growth.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 158

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ CITY OF OMAHA

Prepared by: ⁽³⁾ TYLER LEIMER Date Prepared: ⁽⁴⁾ 1/18/2019 Phone: ⁽⁵⁾ 402-444-4514

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	(2,900,000)
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	(2,500,000)
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>(5,400,000)</u>

Explanation of Estimate: LB 158 would reduce the City of Omaha's property tax revenue by \$5,400,000 with over half of the reduction coming from the General Fund. The City of Omaha would have no growth in property tax year over year, and would have to lay off Police, Firemen, and civilians to make up the difference.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

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

2019

LB⁽¹⁾ 158

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/ROD

Prepared by: ⁽³⁾ Scott Gaines Date Prepared: ⁽⁴⁾ 1/15/19 Phone: ⁽⁵⁾ 402-441-6580

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Explanation of Estimate:

No fiscal impact to the Lancaster County Assessor/Register of Deeds Office. Staff will still be required to maintain updated property listings during this period of frozen assessed values.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2019

LB⁽¹⁾ 158

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/15/2019 Phone: ⁽⁵⁾ (402) 434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</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 assessed value of real property is capped as of 1/1/2020 at 1/1/19 value plus the cost of any improvements made since 1/1/19, less any improvements that were removed or destroyed. The value on 1/1/21 would be the same formula as the value on 1/1/2020. Same for values for 2022 and 2023. Uncertain as to formula used after 2023.

Any savings realized from not performing appraisals would likely be more than offset by the inability to capture increases in market value outside of improvements added to real property. Further, the lack of appraisals being performed would result in counties failing to pick up those improvements that have gone unreported to the county assessor.

As a technical note, this bill would render moot the provisions of [Neb. Rev. Stat. § 77-1311.03](#), which requires an inspection of property not less frequently than once every six years.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____