

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 506 is the Property Tax Request Limitation Act. The bill requires each school board to calculate the school's property tax request authority and unused property tax authority each year and submit such information to the State Department of Education (NDE) by September 20. The bill is operative on January 1, 2020.

Property Tax Request Authority: The property tax authority is the property tax request from the prior year, excluding bond payments, increased by the higher of: the base growth percentage (higher of 2.5% or CPI increase); increase in student enrollment multiplied by .4; increase in enrollment percentage of limited English proficiency students multiplied by .25; or, increase in enrollment percentage of poverty students multiplied by .25. This amount is then decreased by the amount by which non-property tax revenue for the current year exceeds non-property tax revenue for the prior year or increased by the amount that non-property tax revenue for the prior year exceeds that of the current year. Non-property tax revenue does not include state funding for special education.

School boards may vote to exceed the property tax request limit by a majority vote of 75% of the board. The percentage increase that may be approved is capped by the bill based on the size of the district. The percentages are as follows: 7% for schools with an average daily membership (ADM) of up to 471 students; 6% if ADM of 472 to 3,044 students; 5% if ADM of 3,045 to 10,000 students; or, 4% if ADM is 10,001 or more students. Property tax requests may also exceed the property tax authority for prior voter approved levy overrides.

Unused Property Tax Request Authority: School districts may carry forward any unused property tax authority from a prior year. Each school board shall calculate its unused property tax authority and submit it to NDE. The unused authority may be used in later years for increases in a school district's property tax request.

NDE Expenditures: NDE is to prepare documents to be used by districts to calculate the property tax request authority and unused property tax request authority. NDE may withhold state aid if a district fails to submit the forms or does not comply with the limits in the act.

NDE will have a workload increase to prepare and disseminate documents to be used to calculate the amount of property tax request authority for school districts and the amount of authority that may be carried over to future years. NDE staff will also need to check the documents to insure that districts are adhering to the act. It is assumed the department can handle these additional responsibilities with existing staff and resources.

Property Tax Impact: The change in property taxes assessed by school districts beginning in FY2020 cannot be determined because the amount by which the bill will allow each district to grow property tax requests is unknown. The ten year average growth in property taxes collected by school districts from 2008 to 2018 is 4.6% (4.1% for general fund operations of districts and 11.3% for building fund). If the bill limits this growth rate in the future, then property taxes collected for schools will decrease.

TEEOSA Impact: The yield from the local effort rate (LER) is a local resource in the TEEOSA formula for the purposes of calculating state aid to school districts. If a school district has a high increase in valuation in a particular year, the local effort rate yield for purposes of the formula will increase while property taxes collected by a district will be capped by the bill.

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

LB: 506 AM: AGENCY/POLT. SUB: Department of Education

REVIEWED BY: Lee Will DATE: 2/1/2019 PHONE: (402) 471-4175

COMMENTS: Concur with the Department of Education's assessment of no fiscal impact.

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

2019

LB⁽¹⁾ 506

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/24/19 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 506 limits the increase in school district property tax request to the greater of 2.5%, the cost index percentage, growth in student calculation, growth in limited English proficiency student calculation, or growth in poverty student calculation. The property tax request is then adjusted by other receipts the district will receive. NDE must review the calculation and certify amounts to the districts as the property tax authority amount.

Districts can exceed the property tax authority amount if the school board, with a 75% vote, approves a percentage up to the maximum allowed based on the school district size which ranges from 4% -7%. Once approved by the school board the district patrons would need to approve the additional percentage with a vote greater than 60%.

Unused property tax authority amounts can be carried over and used in future years.

No fiscal impact to NDE or the State.

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.....	_____	_____	_____	_____