

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	\$108,075	\$388,348,000		\$356,376,500
CASH FUNDS	(\$5,500,000)	\$159,652,000	\$2,187,500	\$204,123,500
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>(\$5,391,925)</b>	<b>\$548,000,000</b>	<b>\$2,187,500</b>	<b>\$560,500,000</b>

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

LB 891 amends various provisions related to sales and use taxes and property taxes.

Section 1 removes learning communities from the distribution of payments based on retail revenue from cities or villages.

Section 2 removes school districts from having their levied funds be refunded by the county treasurer. These school districts are also no longer required to be notified for these refunds.

Section 3 reallocates a portion of the sales and use tax proceeds collected to the Education Stabilization Base Aid Trust Fund (the Fund), beginning on or after July 1, 2022. For sales and use taxes that are not credited to the Game and Parks Commission Capital Maintenance Fund, the Highway Trust Fund, or the Highway Allocation Fund, 0.5% of the remaining taxes are to be remitted to the Education Stabilization Base Aid Trust Fund.

Section 4 sets the maximum levy available to school districts to \$0.95 for each fiscal year on or after FY22-23. Additionally, such school districts will be allowed a maximum levy of \$0.10 to be used for a special building fund. This \$0.10 maximum can be increased to \$0.15 with the approval of a 2/3 majority vote by the school board. The combined levy of the general levy and special building fund levy is to never exceed \$1.05.

Any amounts levied to pay for qualifying voluntary termination payouts will not count towards the \$0.95 maximum levy. Additionally, the guiding federal law for federal aid school districts to exceed this maximum levy is updated to 20 U.S.C. 7701 et seq.

Section 5 increases the amount of relief granted under the Property Tax Credit Act to \$300 million for tax year 2021. For each tax year thereafter, the amount is to be \$307.5 million plus any gambling tax credited to the Property Tax Credit Cash Fund.

Section 6 ends the Tax Commissioner’s responsibility to determine certain information regarding the Cash Reserve Fund after FY21-22.

Section 7 ends the refundable income tax credit provided under the Property Tax Incentive Act after tax year 2022. The provisions regarding credit percentage and total credit calculations are removed for tax years after 2022. LB 891 provides intent language to appropriate revenue gained by ending this credit to the Department of Education for the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Section 8 allows school building repairs to be paid out by a special building fund.

Section 9 removes reporting requirements for learning communities related to property taxes levied.

Section 10 attaches section 12 of LB 891 to TEEOSA.

Section 11 redefines maximum levy under TEEOSA to be the same as section 4 of LB 891.

Section 12 creates the Education Stabilization Base Aid Trust Fund. All money transferred to the Fund are to be used to pay state aid pursuant to TEEOSA. Section 12 provides that it is the intent of the legislature to transfer monthly amounts to the Fund equal to the amount of sales and use taxes remitted to the Fund.

Sections 13 and 14 eliminates provisions related to the withholding and distribution of property taxes collected by county treasurers and allocated to learning communities.

Sections 15 through 20 harmonize provisions with the changes made by section 4 of LB 891.

Section 21 eliminates outdated language related to learning communities.

Section 22 strikes language in section 79-2404 related to the withholding of state aid under TEEOSA to schools that fail to file certain information. The language struck pertains to the determination of property taxes to be allocated to learning communities.

Section 23 strikes language related to the cash reserve transfers and the Property Tax Incentive Act.

Sections 24 repeals the original sections of those amended by LB 891.

Section 25 outright repeals sections 79-1079 and 79-10,126.01 containing outdated language.

Section 26 declares an emergency, such that the bill would become operative immediately if enacted.

The Department of Education submitted a fiscal note response, summarizing the changes made by the bill.

### **Revenue**

The Department of Revenue estimates that the Education Stabilization Base Aid Trust Fund will receive the following revenues from 0.5% of general sales and use taxes:

- FY22-23: \$165,152,000
- FY23-24: \$201,936,000
- FY24-25: \$203,718,000
- FY25-26: \$209,910,000

These revenues would cause an equal revenue loss to the General Fund as those funds are diverted.

The Department of Revenue estimated the impact to the Property Tax Credit Cash Fund in reference to the statutory minimum of \$275 million for FY 2024, FY 2025 and FY 2026. The Fiscal Office disagrees with this assumption, and instead sets the "base" to the most recent Fiscal Year at \$313 million.

The projected General Fund revenue loss due to transfers to the Property Tax Credit Cash Fund is as follows:

- FY22-23: \$5,500,000
- FY23-24: (\$2,187,500)
- FY24-25: (\$10,067,188)
- FY25-26: (\$18,143,867)

Repealing the refundable income tax credit under the Property Tax Incentive Act will cause the following revenue gains to the General Fund:

- FY22-23: \$548,000,000
- FY23-24: \$560,500,000
- FY24-25: \$375,000,000
- FY25-26: \$388,125,000

The changes to school levy limits are likely to have a significant impact on school district revenues all across the State. At this time, no fiscal note response has been received from a school district representative.

The Nebraska Association of County Officials identifies that the collection fee counties take for collecting levied property taxes could be reduced if school district revenues decrease. The Lancaster County Treasurer estimates no fiscal impact to their office.

There is no basis to disagree with these estimates.

### **Expenditures:**

The Department of Revenue estimates the need for a one-time OCIO charge of \$108,075 to remove the Property Tax Incentive Act refundable income tax credit.

The Nebraska Association of County Officials estimates the potential for significant programming charges to counties to implement the levy changes for school districts.

There is no basis to disagree with these estimates.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	891	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue
REVIEWED BY:	Gary Bush	DATE:	1/24/22 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with the estimate provided for the impact to the agency, or to property taxes.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	891	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
REVIEWED BY:	Gary Bush	DATE:	1/19/22 PHONE: (402) 471-4161
COMMENTS: Unable to provide comment as no fiscal impact was noted in the fiscal note. Agree that the impact to school districts will vary.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	891	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY:	Gary Bush	DATE:	1/20/22 PHONE: (402) 471-4161
COMMENTS: Unable to provide comment as no fiscal impact was discussed. Agree that fees collected by counties to process tax collections for school districts would decrease.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	891	AM:	AGENCY/POLT. SUB: Lancaster County Treasurer
REVIEWED BY:	Gary Bush	DATE:	1/20/22 PHONE: (402) 471-4161
COMMENTS: No basis to disagree with estimate provided by Lancaster County Treasurer.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:	
Approved by: Tony Fulton		Date Prepared: 1/21/2022	Phone: 471-5896
	<b>FY 2022-2023</b>	<b>FY 2023-2024</b>	<b>FY 2024-2025</b>
	Expenditures	Revenue	Expenditures
	Revenue	Expenditures	Revenue
General Funds	\$108,075	\$388,348,000	\$318,376,000
Cash Funds	(\$5,500,000)	\$159,652,000	\$242,124,000
Federal Funds			
Other Funds			
Total Funds	(\$5,391,925)	\$548,000,000	\$48,067,000
		\$40,188,000	\$560,500,000
			\$123,215,000
			\$251,785,000
			\$375,000,000

LB 891 would amend Neb. Rev. Stat. § 77-27,132, pertaining to the Revenue Distribution Fund, to credit the newly-created Education Stabilization Base Aid Trust Fund an amount from a sales tax rate of ½ percent except for sales tax associated with sales and leases of motor vehicles, motorboats, personal watercraft, ATVs and UTVs. This distribution would occur monthly and commence for transactons occurring on or after July 1, 2022.

Section 4 would amend Neb. Rev. Stat. § 77-3442 to lower the levy limit for school districts and multiple school systems from \$1.05 per one hundrend dollars of valuation to \$0.95 but allow \$0.10 for special building fund levy and for qualified capital projects. Much obsolete language would be struck in this section. An additional \$0.05 would be allowed with a 2/3 majority vote of the school board, but the total of both levies still cannot exceed \$1.05 without an override vote. Sections 8 through 10 and 13 through 20 harmonize various sections in school aid to accommodate the lower general fund levy and the new special building fund levy.

Section 5 would amend Neb. Rev. Stat. § 77-4212, dealing with the original real property tax credit, to set the amount at \$300 million for 2021 and \$307.5 million for 2022. To that amount is added any casino tax revenue at licensed racetracks as provided in Neb. Rev. Stat. § 9-1204. The base amount then increases by the base limitation amount in § 77-3446, currently 2 ½%.

Sections 6 and 7 would amend Neb. Rev. Stat. §§ 77-4602 and 77-6703 to terminate the refundable income tax credit for real property taxes paid after the 2021 income tax year. The bill includes intent language directing the Legislature to commit the money saved to TEEOSA.

Section 12 establishes the Education Stabilization Base Aid Trust Fund consisting of the money distribted to it monthly from the Revenue Distribution Fund and other amounts transferred by the Legislature. This fund can only be used for funding TEEOSA. No other distribution formula is provided.

LB 891 would also repeal the following statutes outright: Neb. Rev. Stat. §§ 79-1073 and 79-10,126.01. Both of these sections include the distribution of school aid to learning communities and Class V districts before 2017 and are obsolete. This repeal is harmonized in sections 2, 21 and 22.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 FTE	23-24 FTE	24-25 FTE	22-23 Expenditures	23-24 Expenditures	24-25 Expenditures
	Benefits.....						
	Operating Costs.....				\$108,075		
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>				<b>\$108,075</b>		

The Department of Revenue (DOR) estimated that creating Education Stabilization Base Aid Trust Fund from a sales tax rate of ½ percent except for sales tax associated with sales and leases of motor vehicles, motorboats, personal watercraft, ATVs and UTVs will have the following impact:

Fiscal Year	Education Stabilization Base Aid Trust Fund	General Fund Revenues
FY22-23	\$ 165,152,000	\$ (165,152,000)
FY23-24	\$ 201,936,000	\$ (201,936,000)
FY24-25	\$ 203,718,000	\$ (203,718,000)
FY25-26	\$ 209,910,000	\$ (209,910,000)

Changes to the Property Tax Credit fund result in transferring the following amounts from the General Fund to the Property Tax Credit Cash Fund:

Fiscal Year	Property Tax Credit Cash Fund	General Fund Revenues
FY22-23	\$ (5,500,000)	\$ 5,500,000
FY23-24	\$ 40,188,000	\$ (40,188,000)
FY24-25	\$ 48,067,000	\$ (48,067,000)
FY25-26	\$ 56,144,000	\$ (56,144,000)

Terminating the refundable income tax credit for real property taxes paid after the 2021 income tax year will have the following impact on the General Fund revenues:

Fiscal Year	General Fund Revenues
FY22-23	\$548,000,000
FY23-24	\$560,500,000
FY24-25	\$375,000,000
FY25-26	\$388,125,000

In summary, the overall fiscal impact of LB 891 for Education Stabization Base Aid Trust Fund, General Fund revenues, and Property Tax Credit Cash Fund are as follows:

Fiscal year	Education Stabilization Base Aid Trust Fund	General Fund Revenues	Property Tax Credit Cash Fund
FY22-23	\$ 165,152,000	\$ 388,348,000	\$ (5,500,000)
FY23-24	\$ 201,936,000	\$ 318,376,000	\$ 40,188,000
FY24-25	\$ 203,718,000	\$ 123,215,000	\$ 48,067,000
FY25-26	\$ 209,910,000	\$ 122,071,000	\$ 56,144,000

LB 891 lowers the levy limit for school systems, so this bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

LB 891 will require a one-time programming charge of \$108,075 paid to OCIO for removal of the line for the Property Tax Credit from Forms 1040N, 1120N, 1041N as well as the NebFile online filing system.

LB 891 has the emergency clause.

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

**2022**

**LB<sup>(1)</sup> 891**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Education

Prepared by: <sup>(3)</sup> Bryce Wilson Date Prepared: <sup>(4)</sup> 1/18/22 Phone: <sup>(5)</sup> 402-471-4320

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

	<u>FY 2022-23</u>		<u>FY 2023-24</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 891 proposes the following changes:

- Increases the sales tax by a half cent starting July 1, 2022 with the proceeds from the additional sales tax to go to the Education Stabilization Base Aid Trust Fund which is to be used to pay for the Education Stabilization Base Aid (ESBA).
- Changes the school district maximum levy from \$1.05 to \$.95.
- Changes the Building fund max levy from \$.14 to \$.10 and moves it outside of the \$.95 max levy.
- Allows for the Building fund max levy to be increased by an additional \$.05 with a 2/3 majority vote of the school board as long as the total levy subject to the \$.95 and the building fund do not exceed \$1.05.
- Increases the property tax credit amount from \$275 million to \$300 million for tax year 2021 and up to \$375 million for tax year 2022. For 2023 and years thereafter the amount is the prior year's credit plus the base limitation.
- Ends the refundable tax credit for school district property taxes with the amount saved used to fund the increase in TEEOSA as part of LB 890.

The impact on school districts will vary across the State depending on each district's financial situation and how the changes to the TEEOSA formula along with the property tax limits affects their specific situation. NDE will rely on the Department of Revenue to address the tax code changes and related impacts on the State.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</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.

**2022**

**LB<sup>(1)</sup> 891**

**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> 1/11/2022 Phone: <sup>(5)</sup> 402.434.5660

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

	<u>FY 2022-23</u>		<u>FY 2023-24</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 891 to change levy limitations for school districts; to change provisions relating to the amount of relief granted under the Property Tax Credit Act; to discontinue the granting of credits under the Nebraska Property Tax Incentive Act. The changes made as a result of LB 891 would impact schools more significantly rather than counties. However, there would be an impact to programming that may be substantial. Additionally, there would likely be a decrease in the collection fees received by counties due to these changes. The decrease to tax collections is unknown.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>

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

**2022**

**LB<sup>(1)</sup> 891**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County Treasurer

Prepared by: <sup>(3)</sup> Rachel Garver Date Prepared: <sup>(4)</sup> January 18, 2022 Phone: <sup>(5)</sup> 402-441-7425

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

	<u>FY 2022-23</u>		<u>FY 2023-24</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:

No Fiscal Impact for the County Treasurer's Office.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____