PREPARED BY: DATE PREPARED: PHONE: Bill Biven, Jr. January 19, 2022 402-471-0054

LB 987

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT — STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	22-23	FY 2023-24				
	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.

LB987 amends §13-506, §77-1632, & §77-1633 to adopt the School District Property Tax Limitation Act, change provisions related to hearings on proposed budget statements & harmonize provisions. The School District Property Tax Limitation Act will apply to tax requests starting with 2023 and ending with the 2028 request.

School district's property tax increase will be limited to the greater of 3% increase over their previous years' tax request or the Consumer Price Index (CPI) percent increase.

Exceptions to the limitation:

- Amount approved by the legal voters in the district to exceed the limitation
- Budgeted amounts for capital improvements to address fire/flood mitigation, environmental hazards, accessibility barrier, life safety code violations, amounts to retire approved bonds, repairs to infrastructure damaged by disaster & budgeted to pay for wages & benefits mandated by the Commission of Industrial Relations

Districts can exceed their tax request authority, up to 3% tax asking for the average growth rate for any three year period, for up to two years with a vote of approval from their school board.

Up to half of a district's unused taxing authority can be carried over for future use.

Districts will need to present information at the budget hearing to show compliance to the Act.

Over the past four years, each year there was an average of 90 school districts that had growth in general fund property taxes levied exceeding 3%. This does not account for the exceptions to the limitation described in LB 987 but rather only general fund taxes levied.

	ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB:	987	AM:	AGENCY/POLT. SUB:	Nebraska	a Department of Revenue			
RE\	VIEWED BY:	Gary Bush	DATE:	1/18/22	PHONE: (402) 471-4161			
COMMENTS: No basis to disagree with the estimate provided by the agency that there would be no fiscal impact to the state. It is unknown what the fiscal impact would be on school district taxpayers								

LB 987 Fiscal Note 2022

State Agency Estimate						
State Agency Name: Department	of Revenue				Date Due LFO:	
Approved by: Tony Fulton		Date Prepared:	01/14/2022		Phone: 471-5896	
FY 2022-2023		FY 2023-2024		FY 2024-2025		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	İ	\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 987 creates the School District Property Tax Limitation Act (Act), which limits the extent to which a school district's property tax request may be increased on an annual basis. The Act also outlines instances when this limitation may be exceeded by school districts or does not apply to specific budget items.

Section 2 defined:

- Property tax request as the amount of money of the property taxes requested to be raised by a school district through the level in Neb. Rev. Stat. § 77-1601.
- Real growth value as growth attributed to new construction, addition, other improvements to real property, and annexation of property by a school district.

Section 3 prohibits a school district's tax request from exceeding its request authority, this is defined as the school district's property tax request from the prior increase by the greater of 3% or percentage increase in the Consumer Price Index for the twelve-month period ending on June 30th of the year in which the request is made. Certain amounts will be excluded from the calculation of a school district property tax request from a prior year for the purpose of calculation in a school district's request authority for the current year. The result is the request authority for the current year is reduced by the exclusion of these items. The two enumerated excluded amounts are amounts described by section 3, amounts approved by registered voters, and Section 4, specifically excluded items.

The limit on a district's request authority may be exceeded or does not apply in the following instances:

- When a majority of the school board members vote to do so, but for no more than two consecutive years. These years are followed by a reduction in the district's tax request so that the annual increase in the school district's property tax requests over any three-year period does not exceed 3%.
- When a majority of registered voters voting on the issue approve exceeding the limit in an election. The issue must be put to the voters by a majority of school board members passing a resolution to do so. This resolution must be delivered to the clerk of each county within the school district and contain the requested amount in excess of the limit. Filing dates for the issue to be placed on the ballot are prescribed. Special elections due to the need to request funds because of a natural disaster may be held any month.
- Capital improvements to address fire or flood mitigation or prevention, an environmental hazard, an accessibility barrier, or a life safety code violation.

Major Objects of Expenditure							
Class Code	Classification Title	22-23 <u>FTE</u>	23-24 <u>FTE</u>	24-25 <u>FTE</u>	22-23 Expenditures	23-24 Expenditures	24-25 <u>Expenditures</u>
Benefits	Benefits						
Travel							
Capital Outlay Capital Improvements							
Total							

LB 987 page 2 Fiscal Note 2022

- Pledged to retire approved bonds.
- Repairs to infrastructure damaged by a natural disaster, or
- Amounts budgeted to pay for the portion of wages and benefits mandated by an order of the Commission of Industrial Relations.
- Limit may be exceeded by an amount equal to the school district's property tax request from the prior year multiplied by the school district's real growth percentage.
- Limit may be exceeded by an amount equal to a reduction in the district's certified state aid amount as defined by Neb. Rev. Stat. § 79-1022.
- When a school district uses its carryover request authority generated when district did not increase its property tax request by the full amount allowed. One half of the unused request authority may be carried forward.

The limit applies to property tax requests in years 2023-2028. The limit will not apply for years 2029 and future years.

Section 5 amends Neb. Rev. Stat. § 13-506 regarding budget hearings of political subdivisions, to require budget presentations made by school districts to include information that district complies with the Act.

Section 6 amends Neb. Rev. Stat. § 77-1632 to clarify that if a political subdivision seeks to set its property tax request by more than the allowable growth percentage, it may only do so to the extent allowed by law regardless of whether the annual assessment of property results in an increase, decrease, or no change to the total property taxes levied by political subdivision.

Section 7 amends Neb. Rev. Stat. § 77-1633 to clarify that if a political subdivision seeks to increase its property tax request by more than the allowable growth percentage, it may only do so to the extent allowed by law.

This act becomes operative on January 1, 2023.

LB 987 is estimated to have no impact on the General Fund revenues.

It is estimated that there will be no cost to the Department of Revenue to implement LB 987.

Benefits.....Operating.....

<u></u>					FISCAL NOTE
State Agency OR Politi	ical Subdivision Name: ⁽²⁾	Education			
Prepared by: (3) Br	ryce Wilson	Date Prepared: (4)	1/19/22	Phone: (5)	402-471-4320
	ESTIMATE PROVII	DED BY STATE AGEN	ICY OR POLITI	CAL SUBDIVIS	ION
	FY 2	2022-23		FY 2023-	-24
	EXPENDITURES	REVENUE	EXPEND		REVENUE
GENERAL FUNDS					
CASH FUNDS			<u> </u>		
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS					
Explanation of Estim	nate:				
- Budgeted ar	proved by the legal vote mounts for capital impr				ental hazards
damaged by Relations.	barrier, life safety code disaster and budgeted vote to exceed their tax for any three-year perio	violations, amounts to pay for wages and leading request authority for	o retire approve penefits mandat	d bonds, repair ed by the Com	s to infrastructure mission of Industrial
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amoundistricts re-	vote to exceed their tax	request authority for od. ne school district tax a stricts property tax red	o retire approve benefits mandat up to two years sking limit by the	ed bonds, repair ed by the Comm but may not ex- ne following am prior year multip	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amount districts residuate and amount and an amount and amoun	vote to exceed their tax for any three-year period districts may exceed that equal to the school dial growth percentage.	violations, amounts to pay for wages and larequest authority for od. ne school district tax a stricts property tax red in in State aid if the district tax and if the distric	o retire approve benefits mandat up to two years sking limit by the quest from the p	but may not experience of the common text of the following amorior year multiple less State aid	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school than the prior year.
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amound districts recange and amound stricts recange and amound school districts can	vote to exceed their tax for any three-year period districts may exceed that equal to the school disal growth percentage.	request authority for od. ne school district tax a stricts property tax reconnicts and if the district taxing authority and authority for od.	o retire approve benefits mandat up to two years sking limit by the quest from the p trict is to receive	but may not experience of the common text of the following amorior year multiple less State aid	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school than the prior year.
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amound districts recange and amound stricts recange and amound school districts can	vote to exceed their tax for any three-year period districts may exceed that equal to the school di all growth percentage. Sount equal to a reduction save up to half of their	request authority for od. ne school district tax a stricts property tax reconnicts and if the district taxing authority and authority for od.	o retire approve benefits mandat up to two years sking limit by the quest from the p trict is to receive	but may not experience of the common text of the following amorior year multiple less State aid	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school than the prior year.
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amoundistricts res - By an amoundistricts can The property tax lim No fiscal cost to NI	vote to exceed their tax for any three-year period I districts may exceed that equal to the school dial growth percentage. Sount equal to a reduction save up to half of their mitation act would be in	request authority for od. ne school district tax a stricts property tax reconnicts and if the district taxing authority and authority for od.	o retire approve penefits mandate up to two years sking limit by the quest from the particle is to receivity which can be 1023 – 2028.	ed bonds, repaired by the Communication but may not extend the following amorior year multiple less State aid the used in future	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school than the prior year.
damaged by Relations. School boards can vaverage growth rate Additionally, school - An amound districts recans an amound stricts recans an amound stricts can The property tax limits and the property tax limits recans and t	vote to exceed their tax for any three-year period districts may exceed that equal to the school disal growth percentage. Sount equal to a reduction save up to half of their mitation act would be in DE or the State. BREAKDOW	request authority for od. ne school district tax a stricts property tax red in in State aid if the district tax a unused taxing authority for tax red in the district tax a stricts property tax red in in State aid if the district tax a unused taxing authority effect for tax years 20	o retire approve benefits mandate up to two years sking limit by the quest from the particle is to receive the which can be seen as a second of the particle is to receive the particle	but may not extended by the Communication where the following amorior year multiple less State aid the used in future	s to infrastructure mission of Industrial ceed a 3% tax asking ounts: plied by the school than the prior year.

Travel	
Capital outlay	
Aid	
Capital improvements	
TOTAL	