

**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	See below		See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS		See below		See below
TOTAL FUNDS		See below		See below

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

LB 1115 seeks to impose requirements on owners of underutilized tax-exempt property located in high-poverty areas.

High-poverty area is defined refers to contiguous census tracts wherein 30% or more of persons inhabiting the area have incomes below the poverty line. Underutilized tax-exempt property refers to real property that is either completely undeveloped or deteriorating and exempt from property taxes, in one of the following categories: (1) owned by the state or its governmental subdivisions and used for a public purpose or (2) owned by educational, religious, charitable, or cemetery organizations.

LB 1115 requires that owners of such property in these areas must develop the property within 3 years of the effective date of LB 1115. For development to have occurred, the Property Tax Administrator must assess that the properties' market value has increase by at least 25%.

If these requirements are not met, such property owners would be subject to a loss of property tax exempt status and a fine of \$2,500. These fines are to be remitted to the High-Poverty Area Assistance Fund, which is created under LB 1115 and administered by the Department of Health and Human Services. Any revenue collected by the newly created fund is to be used to provide various social services to individuals in high-poverty area.

The Department of Revenue estimates minimal cost to implement the bill and indeterminable Cash Fund revenue due to the inability to estimate the number of tax-exempt properties that would incur fines.

The Department of Health and Human Services estimates the need to hire a Program Analyst to administer the cash fund. DHHS indicates General Funds are required because the Cash Fund revenue is indeterminable.

We concur with both DOR and DHHS that the amount of fine revenue is indeterminable. However, Art. VII, sec. 5 of the Nebraska Constitution directs all fines arising under the general laws of the state to be paid over to the counties to be used exclusively for the use of the common schools in the respective subdivision where the fine accrued. As such, potentially no revenue will accrue to the High-Poverty Area Assistance Fund, as fines paid are the only revenue source state in the bill. Without Cash Funds to administer programming, potentially no expenditures will be necessary for DHHS to administer the bill.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1115	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Neil Sullivan	DATE: 2/28/2022	PHONE: (402) 471-4179	
COMMENTS: No basis to disagree with the Department of Revenue assessment of minimal fiscal impact from LB 1115.			

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

LB: 1115                      AM:                      AGENCY/POLT. SUB: Department of Health & Human Services

REVIEWED BY: Neil Sullivan                      DATE: 2/28/2022                      PHONE: (402) 471-4179

COMMENTS: No basis to disagree with the Department of Health & Human Services assessment of fiscal impact and indeterminate revenue impact from LB 1115.

**State Agency Estimate**

State Agency Name: Department of Revenue (DOR)		Date Due LFO:				
Approved by: Tony Fulton		Date Prepared: 2/25/2022				
		Phone: 471-5896				
	<b>FY 2022-2023</b>		<b>FY 2023-2024</b>		<b>FY 2024-2025</b>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	Minimal					
Cash Funds		See below		See below		See below
Federal Funds						
Other Funds						
Total Funds	Minimal	See below		See below		See below

LB 1115 creates the High-Poverty Area Assistance Fund (Fund).

LB 1115 provides definitions for the Fund in Section 1. The definitions include: "High-poverty area" is an area consisting of one or more contiguous census tracts which contain a percentage of persons with incomes below the poverty line of greater than 30%, and all census tracts contiguous to such tract or tracts, census tracts being determined by the most recent federal census; and "Underutilized tax-exempt property" is any real property completely undeveloped or containing deteriorating structures. that is exempt as being owned by the State and its governmental subdivisions or real property that is exempt as being owned by and used for educational, religious, charitable, or cemetery organizations and purposes.

Section 1(2) of LB 1115 requires any owner of underutilized tax-exempt property located in a high-poverty area to develop or redevelop such property within three years after the effective date of this bill. Development or redevelopment of property has occurred if the market value of the property increases by at least 25% because of the development or redevelopment, as determined by the Property Tax Administrator.

Section 1(3) of LB 1115: If development or redevelopment does not occur as described above tax-exempt status is lost until development or redevelopment occurs and the property owner must pay a fine of \$2,500 to the Property Tax Administrator, who will remit all fines to the State Treasurer for credit to the High-Poverty Area Assistance Fund.

Sections 1(4) and (5) of LB 1115: The Property Tax Administrator will enforce these provisions and notify property owners when it is determined a violation has occurred. This determination may be appealed pursuant to the Administrative Procedure Act. The Property Tax Administrator may adopt and promulgate rules and regulations to carry out these provisions.

Section 2 of LB 1115: Creates the Fund which will be funded by Section 1 of LB 1115 and administrated by the Department of Health and Human Services. The Fund is to be used to provide mental health services, family counseling services, financial literacy training, and mentoring and tutoring services to individuals located in a high-poverty area. If available, money will be invested pursuant to Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

**Major Objects of Expenditure**

Class Code	Classification Title	22-23	23-24	24-25	22-23	23-24	24-25
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	<b>Total.....</b>						

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

The fiscal impact is indeterminable at this time. It is not feasible to estimate the number of under-utilized tax-exempt properties that would incur fines as a result of not developing such parcels within the three-year required time frame.

There is minimal cost to DOR to implement the bill.

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

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 2-25-2022

Phone: (5) 471-6719

	<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	\$ 58,084		\$ 77,446	
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$ 58,084		\$ 77,446	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

**Explanation of Estimate:**

LB1115 requires the Department of Health and Human Services to administer the High-Poverty Area Assistance Fund. Property tax administrators will collect fines from owners of underutilized tax-exempt property that fail to develop or redevelop such property within three years after the effective date of this act. The fines shall be remitted to the State Treasurer for credit to the High-Poverty Assistance Fund.

The new fund shall be used to provide mental health services, family counseling services, financial literacy training, and mentoring and tutoring services to individuals located in a high poverty area. The amount that will be available to provide such services is indeterminable as these funds have never been collected. The Department will need to hire a Program Specialist to coordinate the fund, implement agreements and monitor the use of the High-Poverty Area Assistance Fund.

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2022-2023	2023-2024
		22-23	23-24	EXPENDITURES	EXPENDITURES
	DHHS Program Specialist	0.8	1	35,655	47,540
	Benefits.....			\$9,441	\$12,589
	Operating.....			\$12,988	\$17,317
	Travel.....				
	Capital Outlay.....				
	Aid.....				
	Capital Improvements.....				
	<b>TOTAL.....</b>			<b>\$58,084</b>	<b>\$77,446</b>