

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	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 1183 would make changes for county consolidated offices including the office of the county assessor and for county assessors so that they would be appointed by the county board.

The bill would remove county assessors as a possible member of the civil service commission.

The bill would add to statute that any assessment of real property completed by the county assessor would be considered an offer by the county board to purchase the real property on behalf of the county at the assessed value within 90 days after completion of the assessment only if the property is in substantially the same condition upon acceptance of the offer as the property was at assessment. The exceptions to this would be for commercial or industrial properties with a valuation of greater than \$1 million or of property with housing that has received an allocation of federal low-income housing tax credits under section 42 of the Internal Revenue Code from the Nebraska Investment Finance Authority (NIFA) or its successor agency.

The Department of Revenue estimates no impact on General Fund revenues and no cost to it as a result of the bill. There is no basis to disagree with this estimate.

NIFA estimates no fiscal impact as a result of the bill.

Counties responding estimate minimal fiscal impact regarding the changes to the office of county assessor in this bill.

Counties are estimated to incur costs associated with purchasing real property under this bill. For instance, the Nebraska Association of County Officials estimates the purchase of real property would be accompanied by holding costs, marketing costs, and costs in their noted case of economic uncertainty. Counties may also incur additional personnel costs with their responsibilities regarding real estate transactions under this bill. At the same time, counties may realize additional revenue or loss, depending on what price the property is sold at by the county.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1183	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Ryan Walton	DATE: 2/5/2024	PHONE: (402) 471-4174	
COMMENTS: The Department of Revenue's assessment of no fiscal impact from LB 1183 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1183	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: Ryan Walton	DATE: 1/31/2024	PHONE: (402) 471-4174	
COMMENTS: The NACO assessment of fiscal impact from LB 1183 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1183	AM:	AGENCY/POLT. SUB: Nebraska Investment Finance Authority (NIFA)
REVIEWED BY: Ryan Walton	DATE: 1/24/2024	PHONE: (402) 471-4174
COMMENTS: The NIFA assessment of no fiscal impact from LB 1183 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1183	AM:	AGENCY/POLT. SUB: Lancaster County (Budget & Fiscal)
REVIEWED BY: Ryan Walton	DATE: 1/23/2024	PHONE: (402) 471-4174
COMMENTS: The Lancaster County's assessment of indeterminate fiscal impact from LB 1183 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1183	AM:	AGENCY/POLT. SUB: Lancaster County Assessor/Register of Deed's
REVIEWED BY: Ryan Walton	DATE: 1/22/2024	PHONE: (402) 471-4174
COMMENTS: The Lancaster County Assessor/Register of Deed's assessment of no fiscal impact from LB 1183 appears reasonable.		

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

2024

LB⁽¹⁾ 1183

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/Register Of Deeds

Prepared by: ⁽³⁾ Dan Nolte Date Prepared: ⁽⁴⁾ 01/19/2024 Phone: ⁽⁵⁾ 402-441-7463

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 proposed legislation does not appear to have a fiscal impact on this office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2024

LB⁽¹⁾ 1183

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County (Budget & Fiscal)

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-23-24 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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 cost to include language on the ballot to change to an appointed county assessor would be minimal. The unknown dollar amount for Lancaster County would be the language that any assessment of real property shall be considered an offer by the county board to purchase the real property. There is no formula to determine what that cost could be. Depending on the circumstances, cash flow could become a major issue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 1183

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/22/2024 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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:

If LB 1183 were enacted, a consolidated office of assessor (e.g. clerk/assessor, assessor/register of deeds, etc.) would be appointed by the county board rather than elected. The fiscal impact of this portion of the bill is anticipated to be minimal.

To estimate the cost associated with the county purchasing properties, the following factors are considered:

1. The number of owners that would exercise this option statewide.
 2. The holding costs for counties acquiring and maintaining properties.
 3. The marketing costs to return properties to the open market.
 4. The effect of economic downturns on asset holdings.
 5. The economic effect on real property values elsewhere.
- A. Considering residential property only, approximately 5% of real property changes hands in a given year. With the county offering to purchase properties with no questions asked, the initial year could find as much as 20% of properties being sold to the county. This is similar to the federal "cash for clunkers" program that encouraged owners to sell old vehicles and buy new ones. The practical effect in the first year would be sales of properties in high need of repairs, and investors and property owners cashing out of their investments. Approximately 10% of properties purchased at current assessed value levels (2023) would be purchase prices of \$14.73 Billion. (\$147.3 Billion x 10%). Adding commercial property and vacant land, a reasonable estimate of **\$20 Billion** could be used for analysis.
 - B. Holding costs for real property purchased by the county would include maintenance, utilities, insurance, and property taxes. With a large acquisition exercised in a 90-day period, it is expected that holding times would average one full year. Approximately 1% is estimated for maintenance, 1% for insurance, 2% for property taxes, and 3% for administrative costs. (national standards) However, the real estate holdings for the county are not likely to be of quality investment grade. An additional factor to reflect serious structural defects unreported by the homeowner in an absolute purchase guarantee would likely add another 10-30% in costs incurred before remarketing. Therefore, a 27% factor for holding costs would amount to approximately **\$5.5 billion per year**.
 - C. Marketing costs in Nebraska for residential real estate are approximately 5%, amounting to a total of **\$1 Billion per year**.
 - D. It is difficult to anticipate effect of real estate investments into a period of economic uncertainty. However, given the type of properties offered for sale by various owners, it is anticipated that options to

sell would be exercised more greatly in times of economic uncertainty, as the county guarantees a purchase with no questions asked. This could amount to a 20% loss on remarketing purchases strictly on the county not being a qualified investor in an otherwise efficient real estate market. Estimated loss of **\$5 billion** in lack of reclaiming investments.

- E. The macroeconomic factors also need to be estimated for the counties entering the competitive real estate market. With property owners cashing out of properties with unknown issues to the assessor and county, the competitive market for quality houses would increase. The upward pressure for housing would impact market value of other properties in the first year and thereafter, at an unknown percentage. Federal impacts of \$8,000 tax credit for first time homebuyers led to a recovery of some real estate markets to around 10%... which is a conservative estimate here. LB1183 would add to growth in some sectors of the real estate market which would create a larger tax base upon which a significantly higher county budget would be levied. The converse, is that a higher holding and flood of market for non-investment grade properties held by the county would significantly reduce the market for properties...similar to a foreclosure market of year's past.

Overall, it seems as though the costs for a county purchase program could be in the broad ballpark of **\$11.5 billion** per year to manage real estate holdings of county governments, for an annual holding of **\$20 billion in acquisitions**.

The fiscal impact to counties would be significant if LB1183 were to pass. As a result, property taxes would increase an exorbitant amount, state and federal unfunded mandates would be unable to be provided, county services and programs would be significantly cut, and/or a combination of all of these scenarios.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 1183

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Investment Finance Authority

Prepared by: ⁽³⁾ Christie Weston Date Prepared: ⁽⁴⁾ 01/23/2024 Phone: ⁽⁵⁾ 402-434-3900

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

State Agency Estimate

State Agency Name: Department of Revenue

Date Due LFO:

Approved by: James R. Kamm

Date Prepared: 02/02/2024

Phone: 471-5896

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<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 1183 changes provisions relating to county assessors and require counties to offer to purchase certain properties. Currently, if the majority of the registered voters in the county vote to consolidate office holders, the office will be filled at the next general election, and the terms of the incumbents end on the first Thursday after the first Tuesday in January following the general election in which the holder of the consolidated office is elected. The term of a consolidated officer will be four years or until a successor is elected and qualified, except that the term of a consolidated officer elected in the year 2020 or any fourth year after will be two years until a successor is elected and qualified.

LB 1183 modifies this to if the consolidated office includes the county assessor, then the consolidated office holder will be appointed on July 1 following the election and the terms of the incumbents end on June 30 following the election. On July 1, 2025, and on July 1 of each fourth year thereafter, the county board of each county that has a consolidated officer including the office of the county assessor will appoint such consolidated officer for a term of two years expiring on June 30 of the second year thereafter or until a successor is appointed.

LB 1183 adds the following provisions regarding consolidated offices that include the county assessor:

1. That the holder of the offices to be consolidated will have their term of office end on June 30 following the election in favor of consolidation.
2. In the event of vacancy, the county board will appoint a consolidated officer for the unexpired portion of the term. The county board may appoint an interim consolidated officer subject to the approval of the Tax Commissioner, for a period not to exceed six months to fill a vacancy in the office of consolidated officer pending the appointment of an eligible consolidated officer.
3. Any consolidated officer including the office of the county assessor appointed or elected before July 1, 2025, will continue to hold the consolidated office until June 30, 2025.

LB 1183 modifies how a county assessor receives their position. Currently, a county assessor is elected. LB 1183 changes it to appointment by the county board. LB 1183 makes the following changes:

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

1. Removes “elected” from the defined term of “elected official” and modifies the definition of “official” so that assessors are appointed by the county board rather than elected by popular vote.
2. Adds requirements regarding appointing the county assessor – on July 1, 2025, and on July 1 of each fourth year thereafter, the county board of each county that has an appointed county assessor will appoint a county assessor that meets statutory qualifications for a term of four years expiring on June 30 of the fourth year thereafter or until a successor is appointed.
3. In the event of a vacancy, the county board will appoint a county assessor to serve the unexpired portion of the term. The county board may appoint an interim county assessor, subject to the approval of the Tax Commissioner, for a period not to exceed six months to fill vacancy in the office of county assessor pending the appointment of an eligible county assessor. Any county assessor elected or appointed before July 1, 2025, will continue to hold the office of county assessor until June 30, 2025.
4. Modifies any reference in statute regarding the county assessor “being elected” to the county assessor “being appointed” by the county board.

Finally, LB 1183 adds that any assessment of real property completed by the county assessor will be considered an offer by the county board to purchase the real property on behalf of the county within ninety days after the completion of the assessment only if the property is in substantially the same condition as of the time the assessment was completed. LB 1183 creates exceptions for commercial or industry property with a valuation of greater than \$1 million or property with housing that has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code from the Nebraska Investment Finance Authority or its successor agency.

The operative date for LB 1183 is three months after enactment.

It is estimated that LB 1183 will have no impact on General Fund revenues.

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