

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates) |                   |           |                   |           |
|---|-------------------|-----------|-------------------|-----------|
|   | <b>FY 2024-25</b> |           | <b>FY 2025-26</b> |           |
|   | EXPENDITURES      | REVENUE   | EXPENDITURES      | REVENUE   |
| GENERAL FUNDS   | See Below         | See Below | See Below         | See Below |
| CASH FUNDS  |                   | See Below |                   | See Below |
| FEDERAL FUNDS   |                   |           |                   |           |
| OTHER FUNDS   |                   |           |                   |           |
| TOTAL FUNDS   | See Below         | See Below | See Below         | See Below |

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

LB1150 amends several sections pertaining to the Tax Equity & Educational Opportunities Support Act (TEEOSA) to change the provisions relating to foundation aid, adjusted valuations of property, local system formula resources, the Education Future Fund, & certain certification dates.

The adjusted valuation used in the TEEOSA calculation for residential & commercial property from 96% to 86% & also reduces the adjusted valuation used for ag/horticultural land from 72% to 42%.

The 40% of Foundation Aid that was due to come out of the resource calculation of the TEEOSA in FY2025-26 has been removed.

Beginning in FY2023-24 & each year thereafter, the Department of Revenue (DOR) will certify to the State Treasurer the amount of tax credits that remain unclaimed under the Nebraska Property Tax Incentive Act for the tax year completed three years prior. The State Treasurer will transfer that amount from the General Fund to the Education Future Fund.

**EXPENDITURES:**

It is estimated that by decreasing the adjusted valuation, there will be approximately \$1,200,000 increase in TEEOSA aid for FY2024-25.

By putting the Foundation Aid data back into the resource calculation for FY2025-26, the change in the overall calculation of TEEOSA is reduced by approximately \$130,000,000.

**REVENUES:**

Using the latest data available for the Nebraska Property Tax Incentive Act, DOR estimates the impact on the General Fund revenues & the Education Future Fund:

| <b>Fiscal Year</b> | <b>General Fund Revenues</b> | <b>Education Future Fund</b> |
|--------------------|------------------------------|------------------------------|
| 2024-25            | (\$129,428,000)              | \$129,428,000                |
| 2025-26            | (\$44,099,000)               | \$44,099,000                 |

**TECHNICAL NOTE:** The look back period in the bill is three years. Taxpayers can claim the tax credit until three years after the filing of the initial credit. For example: a taxpayer can claim the property tax credit for tax year 2020 until April 15, 2024. As such, the amount credited to the cash fund is certified before the amount of unclaimed credits is a final number, and as a result, there will be an ongoing loss of General Fund revenue if taxpayers claim the claim after the transfer amount is certified.

| <b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b> |               |                                   |  |
|--|---------------|-----------------------------------|--|
| LB: 1150   | AM:           | AGENCY/POLT. SUB: State Treasurer |  |
| REVIEWED BY: Gary Bush   | DATE: 1/25/24 | PHONE: (402) 471-4161             |  |
| COMMENTS: Agree with the agency's estimate of no fiscal impact to the agency.                    |               |                                   |  |

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE                              |           |       |   |        |                |
|--|-----------|-------|---|--------|----------------|
| LB:  | 1150      | AM:   | AGENCY/POLT. SUB: Department of Revenue |        |                |
| REVIEWED BY:   | Gary Bush | DATE: | 2/26/24                                 | PHONE: | (402) 471-4161 |
| COMMENTS: Agree with the agency's estimate of the fiscal impact to the state given the assumptions used by agency. |           |       |   |        |                |

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE                             |           |       |  |        |                |
|---|-----------|-------|--|--------|----------------|
| LB:   | 1150      | AM:   | AGENCY/POLT. SUB: Nebraska Department of Education |        |                |
| REVIEWED BY:  | Gary Bush | DATE: | 1/22/24  | PHONE: | (402) 471-4161 |
| COMMENTS: The estimate of the impact to TEEOSA appears to be reasonable given the assumptions used by the agency. |           |       |  |        |                |

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

2024

LB<sup>(1)</sup> 1150

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Bryce Wilson Date Prepared: <sup>(4)</sup> 1/17/24 Phone: <sup>(5)</sup> 402-471-4320

**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 | <u>\$1,200,000</u>          | <u>                    </u> | <u>(\$130,000,000)</u>      | <u>                    </u> |
| CASH FUNDS    | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| FEDERAL FUNDS | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| OTHER FUNDS   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| TOTAL FUNDS   | <u>\$1,200,000</u>          | <u>                    </u> | <u>(\$130,000,000)</u>      | <u>                    </u> |

**Explanation of Estimate:**

LB 1150 changes the TEEOSA calculation to eliminate the upcoming change in 2025/26 that moves 40% of Foundation Aid out of the resource calculation. This bill also changes the adjusted valuation used in the TEEOSA calculation from 96% for residential and commercial property to 86% and reduces ag/horticultural land from 72% to 42%. The last change made by this bill is to move unclaimed property tax credits from three years prior to the Education Future Fund.

The decreases in valuation resulted in a little more than \$1.2 million additional TEEOSA aid when using the 2023 valuations in the 2023/24 TEEOSA model when estimating the 2024/25 impact. In the 2025/26 year the valuation decrease is offset by the shift in Foundation aid back into resources which reduces the amount of TEEOSA by about \$130 million.

**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.....             | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Operating.....            | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Travel.....               | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Capital outlay.....       | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Aid.....                  | <u>                    </u> | <u>                    </u> | <u>\$1,200,000</u>          | <u>(\$130,000,000)</u>      |
| Capital improvements..... | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| TOTAL.....                | <u>                    </u> | <u>                    </u> | <u>\$1,200,000</u>          | <u>(\$130,000,000)</u>      |

**State Agency Estimate**

| State Agency Name: Department of Revenue |                     | Date Due LFO:             |                     |                 |                     |                |
|--|---------------------|---------------------------|---------------------|-----------------|---------------------|----------------|
| Approved by: James R. Kamm               |                     | Date Prepared: 02/22/2024 |                     |                 |                     |                |
| Phone: 471-5896                          |                     | Date Due LFO:             |                     |                 |                     |                |
|  | <b>FY 2024-2025</b> |                           | <b>FY 2025-2026</b> |                 | <b>FY 2026-2027</b> |                |
|  | <u>Expenditures</u> | <u>Revenue</u>            | <u>Expenditures</u> | <u>Revenue</u>  | <u>Expenditures</u> | <u>Revenue</u> |
| General Funds                            | See Below           | \$ (129,428,000)          | See Below           | \$ (44,099,000) | See Below           | Indeterminable |
| Cash Funds                               |                     | \$ 129,428,000            |                     | \$ 44,099,000   |                     |                |
| Federal Funds                            |                     |                           |                     |                 |                     |                |
| Other Funds                              |                     |                           |                     |                 |                     |                |
| Total Funds                              |                     | \$ 0                      |                     | \$ 0            |                     | Indeterminable |

LB 1150 modifies provisions related to the Tax Equity and Educational Opportunities Support Act (TEEOSA) by decreasing the percentage of value of both agricultural and non-agricultural land that can be used to determine the amount of state aid received by a school starting with the fiscal year 2024-25 and moving forward.

Currently, non-agricultural real property has an adjusted valuation of 92% of actual value for purposes of determining state aid to schools. This will be decreased to 86% of actual value starting with the fiscal year 2024-25 and moving forward. For agricultural land that does and does not receive valuation, the current adjusted valuation of 72% of actual value will be decreased to 42%.

LB 1150 adds a requirement that the Department of Revenue certify to the State Treasurer the amount of tax credits that remain unclaimed under the Nebraska Property Tax Incentive Act for the tax year completed three years prior. That amount will be transferred by the State Treasurer from the General Fund to the Education Future Fund.

The bill contains an emergency clause and becomes law upon enactment.

Using the latest data available for the Nebraska Property Tax Incentive Act, DOR estimates the following impact on the General Fund revenues and the Education Future Fund:

| Fiscal Year | General Fund revenues | Education Future Fund |
|-------------|-----------------------|-----------------------|
| FY2024-25   | \$ (129,428,000)      | \$ 129,428,000        |
| FY2025-26   | \$ (44,099,000)       | \$ 44,099,000         |
| FY2026-27   | Indeterminable        | Indeterminable        |

LB1150 alters the state aid value of TEEOSA fund, which will have a corresponding impact on General Fund expenditures.

It is estimated that there will be minimal costs to Department of Revenue to implement this bill.

| Major Objects of Expenditure |                           |       |       |       |              |              |              |
|------------------------------|---------------------------|-------|-------|-------|--------------|--------------|--------------|
| Class Code                   | Classification Title      | 24-25 | 25-26 | 26-27 | 24-25        | 25-26        | 26-27        |
|                              |                           | FTE   | FTE   | FTE   | Expenditures | Expenditures | Expenditures |
|                              |                           |       |       |       |              |              |              |
|                              |                           |       |       |       |              |              |              |
|                              |                           |       |       |       |              |              |              |
|                              |                           |       |       |       |              |              |              |
|                              | Benefits.....             |       |       |       |              |              |              |
|                              | Operating Costs.....      |       |       |       |              |              |              |
|                              | Travel.....               |       |       |       |              |              |              |
|                              | Capital Outlay.....       |       |       |       |              |              |              |
|                              | Capital Improvements..... |       |       |       |              |              |              |
|                              | <b>Total.....</b>         |       |       |       |              |              |              |

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**2024**

**LB<sup>(1)</sup> 1150**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Jason Walters Date Prepared: <sup>(4)</sup> Jan. 22, 2024 Phone: <sup>(5)</sup> 402-471-2793

**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 State Treasurer’s Office doesn’t expect any fiscal impact from LB 1150 to the 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.....                | _____                      | _____        | _____               | _____               |