

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	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.

Under LB 389, for each fiscal year through FY28, any educational service unit (ESU) authorized to levy a property tax pursuant to section 79-1225 may levy a maximum levy of 1.5 cents per \$100 of taxable valuation of property subject to the levy. For FY29 and each fiscal year thereafter, no ESU shall have the power to levy property taxes.

The bill adds that for 2029, the amount to be distributed to each ESU shall be equal to the amount of property taxes levied by such ESU for tax year 2027, increased by 3.5%.

For 2030 and each year thereafter, the amount to be distributed to each ESU shall be equal to the amount distributed to such ESU in the prior year, increased by 3.5%.

The Department of Revenue (DOR) shall annually determine the amount to be distributed to each ESU and shall certify such amounts to the State Treasurer and to the ESU. The distributions to the ESU shall occur in two equal payments, the first on or before March 31 and the second on or before August 31.

The DOR estimates the following increase to General Fund expenditures as a result of the bill:

- FY29: \$30,662,000
- FY30: \$62,397,000
- FY31: \$64,580,000

The DOR estimates minimal costs as a result of the bill.

There is no basis to disagree with these estimates.

The Nebraska Association of County Officials and Lancaster County estimate county revenue losses from no longer collecting a commission of 1% of the taxes levied by ESUs.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 389	AM:	AGENCY/POLT. SUB: State Treasurer	
REVIEWED BY: Kimberly Burns	DATE: 02/03/2025	PHONE: (402) 471-4171	
COMMENTS: Concur with the State Treasurer's assessment of no fiscal impact from LB 389.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 389	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Kimberly Burns	DATE: 02/03/2025	PHONE: (402) 471-4171	
COMMENTS: Concur with Nebraska Department of Education's assessment of no fiscal impact from LB 389.			

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

LB: **389** AM: AGENCY/POLT. SUB: **Department of Revenue**

REVIEWED BY: Kimberly Burns DATE: 02/05/2025 PHONE: (402) 471-4171

COMMENTS: The Department of Revenue's assessment of no fiscal impact in the upcoming biennium and estimate of fiscal impact to the State beginning in 2028-29 from LB 389 appear reasonable.

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

LB: **389** AM: AGENCY/POLT. SUB: **Nebraska Association of County Officials (NACO)**

REVIEWED BY: Kimberly Burns DATE: 02/03/2025 PHONE: (402) 471-4171

COMMENTS: Agree with the Nebraska Association of County Officials' estimate of no fiscal impact in the 2025-27 biennium. No basis to disagree with NACO's assessment of potential impact to counties once the bill provisions are enacted.

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

LB: **389** AM: AGENCY/POLT. SUB: **Educational Service Unit Coordinating Council**

REVIEWED BY: Kimberly Burns DATE: 02/04/2025 PHONE: (402) 471-4171

COMMENTS: The Educational Service Unit Coordinating Council's assessment of no fiscal impact in the upcoming biennium and estimate of future fiscal impact from LB 389 appear reasonable.

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

LB: **389** AM: AGENCY/POLT. SUB: **Lancaster County**

REVIEWED BY: Kimberly Burns DATE: 02/03/2025 PHONE: (402) 471-4171

COMMENTS: No basis to disagree with Lancaster County's assessment of potential impact from LB 389 once the bill provisions are enacted.

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

LB: **389** AM: AGENCY/POLT. SUB: **Lancaster County Treasurer**

REVIEWED BY: Kimberly Burns DATE: 01/29/2025 PHONE: (402) 471-4171

COMMENTS: Agree with the Lancaster County Treasurer's estimate of no fiscal impact for the county from LB 389 in the upcoming 2025-27 biennium.

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

2025

LB⁽¹⁾ 389

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/24/25 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</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:

LB 389 eliminates Educational Service Units (ESU) taxing authority for fiscal years 2028/29 and years thereafter and replaces the property tax revenue with State funding.

This bill would shift all funding for ESU's to the State with the addition of a State aid based on the ESU's 2027 tax request plus a 3.5% increase each year. The new funding would be in addition to the Core Service funds currently received by ESU's.

The additional funding would be calculated and paid by the Nebraska Department of Revenue.

If the 2022/23 ESU tax receipts are grown by 3.5% per year through year 2027 the funding needed for the first year in 2028/20 would be roughly \$47.5 million. No fiscal cost to NDE.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</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.

2025

LB⁽¹⁾ 389

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Educational Service Unit Coordinating Council

Prepared by: ⁽³⁾ Larianne Polk Date Prepared: ⁽⁴⁾ 1/28/2025 Phone: ⁽⁵⁾ 402-597-4843

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0		0	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0		0	

Explanation of Estimate:

There is no fiscal impact for 2025-26 and 2026-27 for the State of Nebraska as the ESUs will continue to have levy authority during those years. The following estimates are based on calculations from the 2025 property valuations. There is no predictable formula to accurately estimate how the valuations will change from year to year. The changes in valuation is a factor that is not accounted for in the figures.

Property taxes generated in 2025 are approximately \$52,000,000 for ESUs to provide essential services to school districts. Average increase in property taxes for ESUs is 4%. Given this number, the increase predicted for ESUs in years 2025-2026, 2026-2027, and 2027-2028 are illustrated in the table below. Fiscal years ending 2029 would have the state providing a 3.5% increase from the 2027 figure. The State obligation in 2030, and each year thereafter, would be 3.5% increase from the year immediately preceding as illustrated in the table below.

Approximate 2025	\$52,000,000	
2026	\$54,080,000	4% levy increase
2027	\$56,243,200	4% levy increase
2028	\$58,492,928	4% levy increase
2029	\$58,211,712	3.5% state increase
2030	\$60,249,122	3.5% state increase

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services

POSITION TITLE	NUMBER OF POSITIONS		2025-26 EXPENDITURES	2026-27 EXPENDITURES
	25-26	26-27		
Benefits.....				

Operating	_____	_____
Travel	_____	_____
Capital outlay	_____	_____
Aid	_____	_____
Capital improvements	_____	_____
TOTAL	_____	_____

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

2025

LB⁽¹⁾ 389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1/27/2025 Phone: ⁽⁵⁾ 402-441-6869

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</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:

LB389 proposes transitioning the financial support for Educational Service Units (ESUs) from property tax levies to direct state funding, incorporating a structured annual increase. Currently, Lancaster County retains a 1% administrative fee from the property taxes it collects and manages on behalf of ESUs. Given the county's assessed valuation of \$42,905,047,000 and an ESU levy rate of .015%, the total ESU tax collected amounts to approximately \$6,435,757. Consequently, the 1% administrative fee retained by Lancaster County is approximately \$64,357. With the implementation of LB389, this administrative fee would be eliminated, resulting in a direct financial impact on the county's revenue.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</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.

2025

LB⁽¹⁾ 389

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 27, 2025 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</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 389 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</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.

2025

LB⁽¹⁾ 389

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24 /2025 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</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:

LB389 would eliminate the levy authority for ESUs.

In 2024, the ESUs levied approximately \$50.9 million in taxes. Counties collect a commission of 1% of taxes levied by ESUs. If this bill had been in place during the 2024 tax year, counties would have had a loss of \$509,000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____