John Wiemer February 05, 2025 402-471-0051

LB 389

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
	FY 202	25-26	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

LB: 389

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

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.

ADMINIS	STRATIVE SERVICES	STATE BUDGET DIVISION: RE	VIEW OF AGENCY & POLT. SUB. RESPONSE
LB: 389	AM:	AGENCY/POLT. SUB: Dep	artment of Revenue
REVIEWED B	BY: Kimberly Burns	DATE: 02/05/2025	PHONE: (402) 471-4171
COMMENTS	• The Department of B	avenue's accompant of no figo	al impact in the uncoming bioppium and estimate of

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: Nebr	aska 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 S	ervice 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: Lan	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.					

LB ⁽¹⁾ 38	9					FISCAL NOTE	
State Agency OR Political Subdivision Name: ⁽²⁾			Nebraska Department of Education				
Prepared by:	(3) <u>Br</u>	yce Wilson	Date Prepared: ⁽⁴⁾	1/24/25	Phone: (5)	402-471-4320	
		ESTIMATE PROVI	DED BY STATE AGEN	CY OR POLITICAL	SUBDIVIS	ION	
		<u>FY 2</u> EXPENDITURES	2025-26 <u>REVENUE</u>	<u>EXPENDITU</u>	<u>FY 2026</u> RES	-27 REVENUE	
GENERAL F	UNDS						
CASH FUND	S						
FEDERAL F	UNDS			<u> </u>			
OTHER FUN	IDS						
TOTAL FUN	IDS						

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.

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

	389					I	FISCAL NOTE
State Agency OR Political Subdivision Name: (2)			bdivision Name: (2)	Educational Service Unit Coordinating Council			
Prepare	d by: ⁽³⁾	Larianne	e Polk	Date Prepared: (4)	1/28/2025	Phone: (5)	402-597-4843
		ES	STIMATE PROVID	ED BY STATE AGENC	Y OR POLITICAL SU	JBDIVISION	l
				2025-26		FY 2026	-27
		<u>E</u>	EXPENDITURES	REVENUE	<u>EXPENDITUF</u>	RES	REVENUE
GENER)S	0		0		
CASH F	UNDS						
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		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	2026-27		
	<u>25-26</u>	<u>26-27</u>	EXPENDITURES	EXPENDITURES		
-		<u> </u>				
Benefits						

Operating	
Travel	
Capital outlay	
Aid	
Capital improvements	
TOTAL	

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LB ⁽¹⁾ 389					FISCAL NOTE			
State Agency OR Political	Subdivision Name: ⁽²⁾	Lancaster County	Lancaster County Treasurer					
Prepared by: ⁽³⁾ Rach	el Garver	Date Prepared: ⁽⁴⁾	Jan. 22, 2025	Phone: (5)	402-441-7425			
	ESTIMATE PROVID	DED BY STATE AGEN	ICY OR POLITICAL	SUBDIVIS	SION			
	<u>FY 2</u> EXPENDITURES	<u>025-26</u> <u>REVENUE</u>	EXPENDITU	<u>FY 2026</u> RES	-27 REVENUE			
GENERAL FUNDS	0		0					
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	0		0					
Explanation of Estimate	:							

No impact to Lancaster until after fiscal year 2027-28.

<u>BREAKI</u>	<u>DOWN BY MAJ</u>	OR OBJECTS O	<u>F EXPENDITURE</u>	
Personal Services:				
	2025-26	2026-27		
POSITION TITLE	25-26	26-27	EXPENDITURES	EXPENDITURES
	<u> </u>	<u> </u>	. <u> </u>	
Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
1 1				
TOTAL				

LB ⁽¹⁾ 389				FISCAL NOTE
State Agency OR Po	litical Subdivision Name: ⁽²⁾	Lancaster County		
Prepared by: ⁽³⁾	Dennis Meyer	Date Prepared: ⁽⁴⁾	1/27/2025 Pho	ne: (5) 402-441-6869
	ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL SUB	DIVISION
		2025-26 DEVENUE		2026-27 DEVENUE
~~~~~	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	<u>REVENUE</u>
GENERAL FUND	S			
CASH FUNDS				
FEDERAL FUNDS	S			
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.

	NUMBER OF	POSITIONS	2025-26	2026-27
POSITION TITLE	25-26	26-27	EXPENDITURES	<b>EXPENDITURES</b>
Benefits				
Operating				
Fravel				
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:	02/04/2025		Phone: 471-5896		
	FY 202	5-2026	FY 202	6-2027	FY 202'	7-2028	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$ 0		\$ 0	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$ 0		\$ 0	

LB 389 would remove the levy authority of Education Service Units (ESUs) for fiscal year 2028-29 and each fiscal year thereafter. LB 389 adds a new section providing that ESUs which lose their levy authority will, in 2029, be reimbursed by the state in an amount equal to the amount of property taxes levied by such unit for tax year 2027, increased by three and one-half percent. In 2030 and each year thereafter, the amount distributed will equal the amount distributed to the ESU in the prior year increased by three- and one-half percent.

LB 389 requires the Department of Revenue annually determine the amount to be distributed to each ESU and certify such amounts to the State Treasurer and the ESU, with distributions occurring in two equal payments on or before March 31 and August 31.

It is estimated that LB 389 will have the following impact to the General Fund expenditures:

Fiscal Year	General Fund expenditures		
FY 2027-28	\$	-	
FY 2028-29	\$	30,662,000	
FY 2029-30	\$	62,397,000	
FY 2030-31	\$	64,580,000	

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

The operative date for this bill is three months after the adjournment of the legislature.

Major Objects of Expenditure							
<u>Class Code</u>	<b>Classification Title</b>	25-26 <u>FTE</u>	26-27 <u>FTE</u>	27-28 <u>FTE</u>	25-26 <u>Expenditures</u>	26-27 <u>Expenditures</u>	27-28 <u>Expenditures</u>
Benefits							
Operating Costs							
	Travel						
Capital Outlay							
Capital Improvemen	Capital Improvements						

LB ⁽¹⁾ 389				I	FISCAL NOTE
State Agency OR P	olitical Subdivision Name: ⁽²⁾	State Treasurer			
Prepared by: ⁽³⁾	Jason Walters	Date Prepared: ⁽⁴⁾	January 27, 2025	Phone: ⁽⁵⁾	402-471-2793
	ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL		ION
	FY	2025-26		FY 2026-	-9.7
	EXPENDITURES	<u>REVENUE</u>	<b>EXPENDITU</b>		REVENUE
GENERAL FUNI	DS				
CASH FUNDS					
FEDERAL FUND	os				
OTHER FUNDS					
TOTAL FUNDS					

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB 389 to the office.

<u>BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE</u>						
Personal Services:						
POSITION TITLE	NUMBER OF 25-26	POSITIONS 26-27	2025-26 EXPENDITURES	2026-27 EXPENDITURES		
		20 21				
		·				
Benefits						
Operating						
Travel						
Capital outlay						
Aid						
Capital improvements						
TOTAL						

<b>LB</b> ⁽¹⁾ 389				<b>FISCAL NOTE</b>			
State Agency OR Pol	litical 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 PROVI	DED BY STATE AGEN	NCY OR POLITICAL SUBDI	VISION			
	FV	2025-26	FY 9	026-27			
	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	<u>REVENUE</u>			
GENERAL FUNDS	s						
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:						
POSITION TITLE	NUMBER OF <u>25-26</u>	POSITIONS <u>26-27</u>	2025-26 <u>EXPENDITURES</u>	2026-27 <u>EXPENDITURES</u>		
Benefits						
Operating						
Travel						
Capital outlay						
Aid						
Capital improvements						
TOTAL						