

**FISCAL NOTE**  
LEGISLATIVE FISCAL ANALYST ESTIMATE

**ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)**

EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	SEE BELOW	SEE BELOW	0	0	SEE BELOW
FY2027-2028	SEE BELOW	SEE BELOW	0	0	SEE BELOW
FY2028-2029	SEE BELOW	SEE BELOW	0	0	SEE BELOW
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0

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

LB1038 amends several sections relating to school funding & the property taxes being utilized for school funding.

The Property Tax Credit Cash Fund will apply to tax years 2007 through 2025, the fund will then terminate on the effective date of this bill, & the State Treasurer will transfer any money in the fund on that date to the Education Future Fund (EFF). LB 1038 also amends statutes related to casino gaming tax and cash device tax to redirect the amounts credited to the Property Tax Credit Cash Fund to the EFF.

Within fifteen days after the end of FY2025-26 & each fiscal year thereafter, the Tax Commissioner will determine the actual General Fund net receipts for the most recently completed fiscal year minus the estimated General Fund net receipts for that fiscal year. If the actual General Fund net receipts exceed the estimated General Fund net receipts for the fiscal year, the Tax Commissioner will certify the excess amount to the State Treasurer. The State Treasurer will transfer that certified amount to the Cash Reserve Fund.

The School District Property Tax Relief Credit Fund will apply to tax years 2024 & 2025, the fund will then terminate on the effective date of this bill, & the State Treasurer will transfer any money in the fund on that date to the EFF.

Beginning with the 2026-27 school year & each year thereafter, if the amount of money transferred from the General Fund to the EFF does not equal the amounts & is insufficient for any fiscal year to fully fund equalization aid under TEEOSA, each district may, if approved by a majority vote of their school board, levy an amount for that fiscal year sufficient to generate revenue equal to the amount of equalization aid that should have been provided to the district for that fiscal year. The property tax levy provided is in addition to the maximum allowable property tax levy.

Beginning with the 2026-27 school year & each year thereafter, the Special Building Fund maximum levy amount is reduced from fourteen cents per one hundred dollars of taxable valuation of property to ten cents per one hundred dollars of taxable valuation of property & will not be subject to the levy limitation. Projects commenced prior to the effective date of this bill may still tax at the fourteen cents per one hundred dollars.

Tax Equity & Educational Opportunities Support Act (TEEOSA) is amended as follows:

- beginning with the 2026-27 school year & each year thereafter, fifty cents per one hundred dollars of taxable valuation of property will be subject to the levy
- beginning with the 2026-27 school year & each year thereafter, the difference of the general fund operating expenditures increased by the cost growth factor, minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, distance education & telecommunications allowance, elementary site allowance, summer school allowance, & the focus school & program allowance
- the community achievement plan aid established in §79-1005, will not apply to the 2026-27 school year or any school year thereafter
- the allocated income tax funds that are calculated by multiplying the local system's income tax liability by two & twenty-three hundredths' percent will not apply to the 2026-27 school year or any school year thereafter
- the foundation aid paid to each district each year that equals one thousand five hundred dollars multiplied by the number of formula students for that district will not apply to the 2026-27 school year or any school year thereafter
- beginning with the 2026-27 school year & each school year thereafter, each district's formula needs will equal the difference of the sum of the district's basic funding, poverty allowance, limited English proficiency (LEP) allowance, focus school & program allowance, summer school allowance, special receipts allowance, transportation allowance, elementary site allowance, distance education & telecommunications allowance, student growth adjustment, any positive student growth adjustment correction, & new school adjustment minus the sum of the LEP allowance correction, poverty allowance correction, & any negative student growth adjustment correction
- the averaging adjustment that is calculated by an averaging adjustment for districts with at least nine hundred formula students if the basic funding per formula student is less than the averaging adjustment threshold will not apply to the 2026-27 school year or any school year thereafter
- each school district will receive equalization aid in an amount equal to the preliminary equalization aid amount for the district minus the base levy adjustment for that district
- beginning with the 2026-27 school year & each year thereafter, net option funding will be the product of the net number of option students multiplied by the statewide average basic funding per formula student

For the calculation of state aid to be paid for the 2026-27 school year & each school fiscal year thereafter:

- eighty-six percent of actual value for real property other than agricultural & horticultural land

- forty-two percent of actual value listed in sections §77-1359 & §77-1363 for agricultural & horticultural land
- forty-two percent of special valuation listed in §77-1343 for agricultural & horticultural land that receives special valuation listed in §77-1344
- the net book value as defined §77-120 for personal property

For the calculation of state aid to be paid for the 2026-27 school year & each school fiscal year thereafter, local system formula resources will include other actual receipts & net option funding, & is reduced by amounts paid by the district in the most recently available complete data year of property tax refunds.

Since an emergency exists, this bill takes effect when passed & approved according to law.

#### FISCAL IMPACT:

There is intent language for annual transfers from the General Fund to the EFF of an amount to be determined from FY2026-27 through FY2029-30.

Overall Total TEEOSA Aid :

Fiscal Year	Current TEEOSA Estimate	LB1083 Estimate	Estimated Change in TEEOSA	Insurance Premium Tax Credit	Total General Funds & EFF
FY2026-27	\$1,173,878,546	\$2,496,610,142	\$1,322,731,596	\$45,000,000	\$1,277,731,596
FY2027-28	\$1,196,962,136	\$3,828,126,485	\$2,631,164,349	\$46,500,000	\$2,584,664,349
FY2028-29	\$1,210,754,978	\$3,918,194,981	\$2,707,440,002	\$48,000,000	\$2,659,440,002

The Department of Revenue estimates that the following amounts will be transferred into the Education Future Fund:

Fiscal Year	Property Tax Credit Cash Fund	School District Property Tax Relief Credit Fund	Education Future Fund
2026-27	(\$495,087,000)	(\$808,000,000)	\$1,303,087,000
2027-28	(\$512,226,000)	(\$838,000,000)	\$1,350,226,000
2028-29	(\$529,467,000)	(\$870,000,000)	\$1,399,467,000
2029-30	(\$630,570,000)	(\$902,000,000)	\$1,532,570,000
2030-31	(\$661,725,500)	(\$929,060,000)	\$1,590,785,500

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: <b>1038</b>	AM:	AGENCY/POLT. SUB: <b>Nebraska Department of Education</b>	
REVIEWED BY: Kimberly Burns	DATE: 01/30/2026	PHONE: (402) 471-4171	
COMMENTS: Agree with the Nebraska Department of Education's assessment of increased fiscal impact through additional TEEOSA state funding. Unable to provide any additional commentary without a modeling of impact by the agency.			
<u>Technical Note:</u> A portion of the additional fiscal impact from state aid will be offset through the elimination of the Property Tax Credit Cash Fund and School District Property Tax Relief Fund credits.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: <b>1038</b>	AM:	AGENCY/POLT. SUB: <b>Department of Revenue</b>	
REVIEWED BY: Kimberly Burns	DATE: 01/30/2026	PHONE: (402) 471-4171	
COMMENTS: Concur with the Department of Revenue's estimate of minimal fiscal impact for the agency from LB 1038. The assessment of impact to revenue appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: <b>1038</b>	AM:	AGENCY/POLT. SUB: <b>State Treasurer</b>	
REVIEWED BY: Kimberly Burns	DATE: 01/22/2026	PHONE: (402) 471-4171	
COMMENTS: Concur with the State Treasurer's estimate of no fiscal impact from LB 1038.			

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

**2026**

**LB<sup>(1)</sup> 1038**

**FISCAL NOTE**

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

**Nebraska Department of Education**

**Prepared by:** <sup>(3)</sup> Bryce Wilson

**Date Prepared:** 1/28/26

<sup>(4)</sup>

**Phone:** <sup>(5)</sup> 402-471-4320

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

**FY 2026-27**

**FY 2027-28**

	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>				

**Explanation of Estimate:**

LB 1038 changes the maximum levy from \$1.05 down to \$.50 beginning with the 2026/27 budget year. Reducing the maximum levy also reduces the local effort rate used to multiply the adjusted valuation for each district when determining the Yield from local Effort Rate in TEEOSA. This change will significantly reduce valuations recognized in the formula and require additional State funding for TEEOSA.

This bill also makes the following changes.

- Eliminates the Income Tax Rebate.
- Eliminates the System Averaging Adjustment.
- Eliminates the Community Achievement Plan Allowance and Aid.
- Eliminates Foundation Aid.
- Changes adjusted valuation for residential and commercial property from 96% to 86%.
- Changes adjusted valuation for agricultural, horticultural, and special valuation from 72% to 42%.
- Creates a base levy adjustment if a district's potential general fund levy is below \$.30.
- Creates a minimum equalization aid amount that equals 30% of basic funding for each district.

This bill also has a provision to allow school district boards to levy additional funds if equalization aid isn't fully funded.

Additionally, this bill eliminates the Special Building Fund from the property tax authority certification and lowers the maximum Special Building Fund levy from \$.14 to \$.10. The General fund would be the only fund property tax authority would apply to beginning in 2026/27 budget year. This bill also eliminates unused board adopted property tax authority from being carried over to future years.

Last, this bill eliminates the Property Tax Credit Cash Fund and the School District Property Tax Relief Credit Fund and instead moves any funds that were going into those funds into the Education Future Fund.

The fiscal impact for this bill cannot be determined at this time.

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**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<b>POSITION TITLE</b>	<b>NUMBER OF POSITIONS</b>		<b>2026-27 EXPENDITURES</b>	<b>2027-28 EXPENDITURES</b>
	<b>26-27</b>	<b>27-28</b>		
<b>Benefits.....</b>				
<b>Operating.....</b>				
<b>Travel.....</b>				
<b>Capital outlay.....</b>				
<b>Aid.....</b>				
<b>Capital improvements.....</b>				
<b>TOTAL.....</b>				

## State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:	
Approved by: James R. Kamm		Date Prepared: 01/28/2026	
	FY 2026-2027	FY 2027-2028	FY 2028-2029
	Expenditures	Revenue	Expenditures
General Funds		\$ 0	
Cash Funds			
Federal Funds			
Other Funds			
Total Funds		\$ 0	
		\$ 0	

LB 1038 would amend Neb. Rev. Stat. § 9-1204 to require 70% of the tax imposed by Neb. Rev. Stat. § 9-1203, to be remitted to the Education Future Fund (EFF) rather than the Property Tax Credit Cash Fund (PTCCF).

LB 1038 would amend Neb. Rev. Stat. § 77-3012, regarding the tax imposed on the net operating revenue of all cash devices operating within Nebraska for profit or gain, by requiring the 40% remitted to the EFF instead of the PTCCF.

LB 1038 would amend Neb. Rev. Stat. § 77-3442 by reducing the property tax levy limit for school districts and multiple-district schools' systems from \$1.05/\$100 to \$.50/\$100 beginning in fiscal year 2026-27.

LB 1038 would add the following two exclusions from the levy limits applicable to school's districts, multiple-district systems, and school districts that are members of learning communities:

- 1) amounts levied after approval of a majority vote of the school board in an amount equal to the amount of equalization aid that should have been provided to the school district for such fiscal year pursuant to 79-1021; and
- 2) amounts levied by a school board or board of education for their special fund for acquiring buildings pursuant to Neb. Rev. Stat. § 79-10,120, up to a maximum of \$.14/\$100 prior to fiscal year 2026-27 and \$.10 in 2026-27 and thereafter except the \$.14 limit is retained for any project commenced prior to the effective date of LB 1038.

LB 1038 would terminate the PTCCF and transfer funds to the EFF upon the effective date of LB 1038. Would Sunset the Property Tax Credit Act after tax year 2025.

Unusable homestead exemption funds returned under Neb. Rev. Stat. § 77-4212 would be credited by the Property Tax Administrator to the EFF instead of the PTCCF.

LB 1038 would amend Neb. Rev. Stat. § 77-4602 to make the current formula for determining (1) the Actual Fund Net receipts minus estimated General Fund net receipts and (2) Actual General Fund net receipts minus 103% of actual General Fund net receipts and certifying such amounts to the State Treasurer for transfer to the Cash Reserve Fund apply only for fiscal year 2024-25. For fiscal year 2025-26 and each year thereafter, the

## Major Objects of Expenditure

Class Code	Classification Title	26-27 FTE	27-28 FTE	28-29 FTE	26-27 Expenditures	27-28 Expenditures	28-29 Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
<b>Total.....</b>							

formula would not apply, and the Tax Commissioner would merely, if the actual General Fund net receipts exceed the estimated General Fund net receipts for the fiscal year, certify the excess amount to the State Treasurer who will credit the amount to the Cash Reserve Fund.

LB 1038 would amend Neb. Rev. Stat. § 77-7304 by terminating the School District Property Tax Relief Credit Fund (SDPTRCF) on the effective date of LB 1038, with any money in the funds being transferred to the EFF. In fiscal year 2025-26, the amount of relief money required to be transferred pursuant to Neb. Rev. Stat. § 77-7305 in tax year 2025 will still be transferred from the General Fund to the SDPTRCF. The minimum amount of relief required by Neb. Rev. Stat. § 77-7305 remains \$780,000,000 for tax year 2025. Also, unusable homestead exemption funds returned under Neb. Rev. Stat. § 77-7305 would be credited by the Property Tax Administrator to the EFF instead of the SDPTRCF.

The Property Tax Administrator would no longer be required to determine and certify the amount of property tax relief credits disbursed to each county by September 15 in years after 2025 pursuant to Neb. Rev. Stat. § 77-7305.

Neb. Rev. Stat. § 79-1005.01 would be amended so the Tax Commissioner would no longer have to certify to the Department of Education (DOE) the income tax liability of resident individuals for each local system after November 15, 2025.

It is estimated that LB 1038 will have the following impact:

Fiscal Year	PTCCF	SDPTRCF	EFF
FY2026-27	(\$495,087,000)	(\$808,000,000)	\$1,303,087,000
FY2027-28	(\$512,226,000)	(\$838,000,000)	\$1,350,226,000
FY2028-29	(\$529,467,000)	(\$870,000,000)	\$1,399,467,000
FY2029-30	(\$630,570,000)	(\$902,000,000)	\$1,532,570,000
FY2030-31	(\$661,725,500)	(\$929,060,000)	\$1,590,785,500

This bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditure.

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

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

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

**2026**

**LB<sup>(1)</sup> 1038**

**FISCAL NOTE**

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

**State Treasurer**

**Prepared by:** <sup>(3)</sup> Jason Walters

**Date Prepared:** January 20, 2026

**Phone:** <sup>(5)</sup> 402-471-2793

<sup>(4)</sup>

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

**FY 2026-27**

**FY 2027-28**

	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
<b>GENERAL FUNDS</b>				
<b>CASH FUNDS</b>				
<b>FEDERAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>				

**Explanation of Estimate:**

The State Treasurer's Office doesn't expect any fiscal impact from LB 1038 to the office.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<b>POSITION TITLE</b>	<b>NUMBER OF POSITIONS</b>		<b>2026-27</b>	<b>2027-28</b>
	<b>26-27</b>	<b>27-28</b>	<b>EXPENDITURES</b>	<b>EXPENDITURES</b>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>				