

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 1414 would establish the Property Tax Growth Limitation Act.

Under the Act, political subdivisions would be counties, cities, villages, learning communities, sanitary and improvement districts, natural resources districts, or educational service units.

Except as otherwise provided in the Act, a political subdivision’s property tax request for any year would not be able to exceed its property tax request authority. A political subdivision’s property tax request authority would be an amount equal to the political subdivision’s property tax request from the prior year.

The following amounts would be excluded when determining a political subdivision’s property tax request from the prior year:

- Any amount approved by voters to exceed the political subdivision’s property tax request authority under section 4 of the Act that was included in the political subdivision’s property tax request in the prior year; and
- Any amount needed to pay the principal and interest on approved bonds, as described in section 5 of the Act, that was included in the political subdivision’s property tax request in the prior year.

A political subdivision’s property tax request could exceed its property tax request authority in the following ways:

- An amount approved by a majority of legal voters voting on the issue at an election
- The amount needed to pay the principal and interest on approved bonds
- The amount budgeted by the political subdivision to pay for repairs to infrastructure damaged by a natural disaster which is declared a disaster or emergency pursuant to the Emergency Management Act
- Pursuant to any property tax authority approved by the voters at a levy override election under section 77-3444 held prior to the effective date of the Act
- A percentage equal to the political subdivision’s real growth percentage
 - A political subdivision could choose not to increase its property tax request for a particular year by the full real growth percentage. In those cases, the unused percentage amount could be carried forward to future years and could be used in future years to increase the political subdivision’s property tax request with up to 5% being allowed to be carried forward.

The DOR would need to prepare forms to be used by political subdivision for the purpose of calculating property tax request authority and the unused percentage carried forward. Each political subdivision would submit the forms to the DOR on or before September 30 of each year. If a political subdivision would fail to submit the form to the DOR or if the department determines from the forms that a political subdivision is not complying with the limits provided in the Act, the DOR would notify the political subdivision and the State Treasurer of the noncompliance. The State Treasurer would suspend distribution of state aid allocated to the political subdivision until the political subdivision complied. The funds would be held for six months. If the political subdivision would comply within the six-month period, it would receive the suspended funds. If the political subdivision would fail to comply within the six-month period, the suspended funds would be forfeited and would be redistributed to other recipients of the state aid or, in the case of homestead exemption reimbursement, returned to the General Fund.

The DOR could adopt and promulgate rules and regulations to carry out the Act.

The bill would also make changes to the definition of allowable growth and restricted funds.

This bill contains the emergency clause.

The DOR estimates no impact to General Fund revenues and minimal costs to it as a result of this bill. There is no basis to disagree with these estimates.

The State Treasurer estimates no fiscal impact to it as a result of the bill. There is no basis to disagree with this estimate.

In the event governing bodies or voters of political subdivisions seek to add to their property tax request authority via election under the bill, these elections would result in additional costs to political subdivisions to hold the elections.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: State Treasurer
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179
COMMENTS: The State Treasurer assessment of no fiscal impact from LB 1414 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: Department of Revenue
REVIEWED BY: Neil Sullivan	DATE: 1/31/2024	PHONE: (402) 471-4179
COMMENTS: The Department of Revenue assessment of minimal fiscal impact from LB 1414 appears reasonable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: Educational Service Unit Coordinating Council
REVIEWED BY: Neil Sullivan	DATE: 1/31/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Educational Service Unit Coordinating Council assessment of indeterminate impact from LB 1414 except that the impact should be manageable.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: Lancaster County
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Lancaster County assessment of fiscal impact from LB 1414.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: City of Omaha
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the City of Omaha assessment of fiscal impact from LB 1414.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 1414	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials
REVIEWED BY: Neil Sullivan	DATE: 1/30/2024	PHONE: (402) 471-4179
COMMENTS: No basis to disagree with the Nebraska Association of County Officials assessment of unquantified fiscal impact from LB 1414.		

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

2024

LB⁽¹⁾ 1414

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dr. Kraig J. Lofquist Date Prepared: ⁽⁴⁾ January 29, 2024 Phone: ⁽⁵⁾ 402.597-4843

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:

There are 17 Educational Service Units located across the State of Nebraska. The location of each ESU and numerous other variables makes prognosticating *real growth* impossible. However, the long term impact due to the limits placed on growth noted in LB 1414 will be substantially harmful to ESUs and the services they provide to school districts.

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⁾ 1414

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2024 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:

LB 1414 would adopt the Property Tax Growth Limitation Act and change provisions relating to budget limitations for political subdivisions, including counties. The legislation would disallow a growth factor for purposes of its property tax request with the exception of principal and interest on approved bonds.

Additionally, LB1414 would authorize counties to exceed its property tax request authority by a majority vote of the electors, thus increasing costs to counties by the amount necessary to hold an election.

Further, the definition of allowable growth and restricted funds would be modified.

Limitations imposed because of LB1414 would result in an increased levy rate, which means a shift to those property owners not exempt from property taxes; a decrease in taxes collected; an inability to fulfill State and Federal unfunded mandates imposed upon counties; a decrease in the ability of the counties to fund programs and services; and/or a combination of the listed 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⁾ 1414

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Omaha

Prepared by: ⁽³⁾ Jeff Roh Date Prepared: ⁽⁴⁾ 1-26-24 Phone: ⁽⁵⁾ 402-444-5451

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	_____	_____	_____	(\$6,800,000)
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	(\$6,800,000)

Explanation of Estimate:

This bill would lower the amount of property tax revenue due to limitation on amount of growth allowed by \$6,800,000 for the general fund. This is based on a projected 6% valuation growth.

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.....	_____	_____	_____	_____

the funds to the political subdivision. If the political subdivision fails to comply within six months, the suspended funds are forfeited and

- 1) Redistributed to other recipients of state aid or
- 2) To the General Fund if the funds are homestead exemption reimbursements.

LB1414 eliminates the requirement that funds received from the nameplate capacity tax levied under Neb. Rev. Stat. 77-6203 for the first five years after a renewable energy generation facility has been commissioned be nonrestricted funds. LB1414 also removes the ability of a governmental unit to exceed the limit of restricted funds in their budget by up to additional 1% upon the affirmative vote of at least 75% of the governing body.

LB1414 removes the limitation exceptions regarding budgeting of restricted funds for the following:

- 1) Capital improvements;
- 2) Restricted funds expended from a qualified sinking fund for acquisition or replacement of tangible personal property with a useful life of five years or more;
- 3) Restricted funds used by a public airport to retire interest-free loans from the Division of Aeronautics of the Department of Transportation in lieu of bonded indebtedness at a lower cost to the public airport;
- 4) Restricted funds budgeted in support of service which is the subject of an agreement or modification of an existing agreement whether operated by one of the parties to the agreement or by an independent joint entity or joint public agency;
- 5) Restricted funds budgeted to pay for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a governmental unit which require or obligate a governmental unit to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a governmental unit; and
- 6) Restricted funds budgeted to pay benefits under the Firefighter Cancer Benefits Act.

LB1414 subjects' counties and political subdivisions annual assessment and levy of property taxes to the limitations provided in the School District Property Tax Limitation Act and the Property Tax Growth Limitation Act.

LB1414 removes the requirement that excess tax collections by any political subdivision be restricted funds in the budget of the county that receives the funds. LB1414 also removes the requirement that Neb. Rev. Stat. 13-518 to Neb. Rev. Stat. 13-522 regarding restricted funds applying to the revenue from any such tax or increase. LB1414 also removes the exception for any amounts held by a municipality to make sales and use tax refunds under the Employment and Investment Growth Act, the Nebraska Advantage Act, the ImagiNE Nebraska Act, and the Urban Redevelopment Act counting toward any budgeted restricted funds limitation.

LB1414 removes the special actions taken by a supermajority of any governing board from the definition of base limitation in Neb. Rev. Stat. 77-3446. LB1414 also raises the base limitation from 2.5% to 3%. LB1414 requires the base limitation be adjusted annually by the Legislature to reflect changes in the prices of services and products used by school districts and political subdivisions.

LB1414 removes the requirement that no nameplate capacity tax levied be construed to constitute restricted funds for the first five years after the renewable energy generation facility is commissioned.

LB 1414 carries an emergency clause.

It is estimated that LB 1414 will have no fiscal impact to General Fund revenues and minimal costs for the DOR to implement.

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

2024

LB⁽¹⁾ 1414

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ Jan. 23, 2024 Phone: ⁽⁵⁾ 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 1414 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.....	_____	_____	_____	_____

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

2024

LB⁽¹⁾ 1414

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dennis Meyer Date Prepared: ⁽⁴⁾ 1-26-24 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 fiscal impact of this bill on Lancaster County isn't easily determined. The bill has changes due to the introduction of the Property Tax Growth Limitation Act as well as changes to the lid on restricted funds and the Property Tax Request Act. Real growth is allowed for the Property Tax Growth Limitation Act but there is no provision for CPI or construction inflation. Lancaster County's property tax grew by 4% while the real growth was 2.87%. The difference between real growth and the actual percentage increase was a result of costs increasing due to inflation. Lancaster County would not have been able to levy for approximately \$2 million this current fiscal year.

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⁾ 1414

FISCAL NOTE

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

Prepared by: ⁽³⁾ Jenessa Boynton Date Prepared: ⁽⁴⁾ 1/26/2024 Phone: ⁽⁵⁾ 402-479-4691

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 LB 1414 proposes to adopt the property Tax Growth Limitation Act and change provisions relating to budget limitations.

No fiscal impact is anticipated to the Department.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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