PREPARED BY: Doug Gibbs & Tom

Bergquist

DATE PREPARED: February 14, 2017 PHONE: 402-471-0051 **LB 640**

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	17-18	FY 2018-19				
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE				
GENERAL FUNDS		See Below		See Below			
CASH FUNDS		See Below		See Below			
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS		See Below		See Below			

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

LB 640 amends several sections of statute regarding the school district levy limits, school districts, and the Property Tax Credit Act.

Section 77-3442 is amended to change the maximum levy for school districts from \$1.05 per one-hundred dollars of taxable valuation to \$1.00, beginning with tax year 2018.

New language is added to Section 77-4209 of the Property Tax Credit Act to provide, beginning with tax year 2018, that the Department of Revenue, using data certified by the Department of Education, is to calculate and distribute school district property tax relief aid to each local system that qualifies.

A local system qualifies for such aid when its general fund property tax receipts exceed 60% of its total general fund revenue.

In addition, the bill requires that the property tax gap for each local system that qualifies for school district property tax relief shall equal the general fund property tax receipts minus 60% of the total general fund revenue for the system.

Each local system that qualifies is to be paid property tax relief aid from the Property Tax Credit Cash Fund equal to 75% of the property tax gap for that system. If the total statewide property tax relief aid exceeds the funds available for distribution from the Property Tax Credit Cash Fund, that aid shall be reduced proportionately. Such aid is to be considered a general fund property tax receipt for purposes of future tax year calculations. In addition, the Department of Education is to certify to the Department of Revenue for tax years 2018 and after, the general fund property tax receipts and total general fund revenue for each local system by January 1 of each tax year.

The Department of Education is to also certify to the Department of Revenue the statewide increase in state aid to be paid to local systems as a result of the decrease in the maximum levy and the Department of Revenue is to transfer an amount equal to the statewide increase in state aid from the Property Tax Credit Fund to the Tax Equity and Educational Opportunities Fund.

Section 77-4212 is amended to reduce the amount of property tax credit funds disbursed to counties by the amount transferred for state aid to school districts.

Section 79-1023 is amended to provide that school districts receiving the state aid from the Property Tax Credit Cash Fund shall reduce their budgeted expenditures by 25% of the property tax gap, unless their school board overrides the reduction by a vote of two-thirds of the majority.

Section 77-4212 is amended regarding the intent of the Legislature to fund the Property Tax Credit Act. For tax year 2017, the intent would be to provide \$224 million to fund the credit. This language is legislative intent and not an appropriation, so the fiscal impact of changing the date makes the amount available for the tax credit and the purposes of LB 640 dependent on action taken by the Legislature to appropriate funds for the credit. The fiscal impact is variable, in that the Legislature could choose to fund the credit at the current level, a reduced amount, an increased amount, or not at all. However, based on previous experience we believe the current level of funding for the credit would probably remain at \$224 million. If that is the case, it would have the following fiscal impact:

	FY2017-18:		FY2018-19:		FY2019-20:
Equalization Aid: School District Property Tax Relief Aid:	\$ \$	0	\$ \$	0	\$ 61,686,379 \$ 102,155,267
Total Aid Change:	\$	0	\$	0	\$ 163,841,646
Property Tax Credit (current appropriation): Less: LB 640 increased aid:	\$ 224,000,0 \$	00 0	\$ 224,000,0 \$	00 0	\$ 224,000,000 (\$163,841,646)
Remainder for Property Tax Credit:	\$ 224,000,0	00	\$ 224,000,0	00	\$ 60,158,364

The Department of Revenue indicates that the cost to implement the provisions of LB 640 will be minimal.

We have no basis to disagree with the Department of Revenue's estimate of cost.

ADMIN	ISTRATIVE SERVICE	S STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPON	ISES			
LB: 640	AM:	AGENCY/POLT. SUB: Department of Education				
REVIEWED	BY: James Van Brug	en DATE: 1/30/17 PHONE: (402) 471-4	1179			
COMMENTS: The estimated fiscal impact provided by the Department of Education appears reasonable.						

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES						
LB: 640	AM:	AGENCY/POLT. SUB: Department of	Revenue			
REVIEWED BY: James Van Bruggen DATE: 2/13/17 PHONE: (402) 471-						
COMMENTS: Agree with the Department of Revenue's statement of minimal fiscal impact to their agency.						

LB 640 Fiscal Note 2017

	State Agency	Estimate			
of Revenue				Date Due LFA:	2/14/2017
	Date Prepared:	2/10/2017		Phone: 471-5896	
FY 201	7-2018	FY 2018	8-2019	FY 20	19-2020
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
	\$ 0	ĺ	\$ 0		\$ 0
	\$ 0		\$ 0	•	\$ 0
	FY 201	of Revenue Date Prepared: FY 2017-2018 Expenditures Revenue \$ 0	Date Prepared: 2/10/2017 FY 2017-2018 FY 2018 Expenditures Revenue Expenditures S 0	The Revenue Date Prepared: 2/10/2017 FY 2017-2018 FY 2018-2019 Expenditures Revenue Expenditures Revenue \$ 0 \$ 0 \$ 0	Of Revenue Date Due LFA: Date Prepared: 2/10/2017 Phone: 471-5896 FY 2017-2018 FY 2018-2019 FY 20 Expenditures Revenue Expenditures Expenditures \$ 0 \$ 0 \$ 0

LB 640 amends Neb. Rev. Stat. § 77-3442 to lower the maximum levy for school districts from \$1.05 for tax years prior to 2018 to \$1.00 for tax year 2018 and each tax year thereafter.

This bill also amends § 77-4209 to revise the formula for the property tax credit. For tax year 2018 and each tax year thereafter, the Department of Revenue will calculate the "school district property tax relief aid" for each local system that qualifies. A local system qualifies when the general fund property tax receipts exceed 60% of the total general fund revenue for that system (as certified by the Department of Education). The difference between the general fund property tax receipts and 60% of the general fund revenue is the "property tax gap." Each local system that qualifies for relief aid shall be paid 75% of their property tax gap. If the statewide total relief aid in a year exceeds the funds available in the Property Tax Credit Fund, the aid will be reduced proportionately for each system receiving aid for that year. On January 1, the Department of Education will certify to the Department of Revenue the general fund property tax receipts and total general fund revenue for each local system for the most recent complete data year.

This bill requires the Department of Education to certify the statewide increase in state aid to be paid to local systems as a result of the decrease in the maximum levy to the Department of Revenue. The Department of Revenue shall transfer an equal amount of the statewide increase in state aid from the Property Tax Credit Fund to the Tax Equity and Educational Opportunities Support Act Fund.

This bill also amends § 77-4212 to decrease the amount of property tax relief funds distributed to the counties by the amount distributed to the local systems. It also amends § 79-1023 for school districts receiving the property tax credit monies, their budget expenditures are to be reduced by 25% of the property tax gap unless the school board passes by a 2/3 majority vote to override the reduction at least 30 days prior to the annual budget approval.

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

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

Major Objects of Expenditure								
Class Code	Classification Title	17-18 <u>FTE</u>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures	
Benefits								
Γravel								
Capital Outlay								
A.d								
Capital Improvements								

LB ⁽¹⁾ 640					FISCAL NOTE
State Agency OR 1	Political Subdivision Name: (Dept. of Educat	ion		
Prepared by: (3)	Bryce Wilson	Date Prepared: (4)	1/24/17	Phone: (5)	402-471-4320
	ESTIMATE PRO	VIDED BY STATE AGENO	CY OR POLITICA	L SUBDIVISIO)N
	,	EV 0017 19		EV 0010	10
	<u>EXPENDITUR</u>	FY 2017-18 ES REVENUE	EXPENDI	<u>FY 2018</u> <u>TURES</u>	<u>REVENUE</u>
GENERAL FUN	DS				
CASH FUNDS					
FEDERAL FUN	DS				
OTHER FUNDS	<u> </u>				
TOTAL FUNDS	<u></u>				
Explanation of E					
Explanation of E	stimate:				
taxes. The districts The remain would need district which to approve difference credit functions to the second to	e state will property tax reconing 25% of property to be made up to be made up to be annual by the annual by the annual by the d. Since this d. Since this d. The cost we see that the cost we see tha	ovide property to ovide property to quest from the property tax request locally but cannot irds majority votadget. All property and the LEF change is effect til the FY 2019/2 ould be \$160,000,	ax relief and an acceptance of the both error tax relations to come to the both error tax relations to come with the constant of the constant	id for 75% ver the 60 prior yeard by a soard thir lief aid a e from the 2018 tas bill was	% of a 0% threshold. ar over 60% school ty days prior as well as the e property tax x year the
Personal Service	S:	NUMBER OF POSITION	S 2017-	-18	2018-19
POSIT	TION TITLE	17-18 18-19	EXPENDI		EXPENDITURES
Ponofita					
			-		
1 0					
Capital improve	ments				
TOTAL					_