PREPARED BY: DATE PREPARED: PHONE: Bill Biven, Jr. February 05, 2021 402-471-0054

LB 454

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	1-22	FY 2022-23					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	See Below		See Below					
CASH FUNDS								
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.

LB454 creates the School Property Tax Stabilization Act.

On or before September 15, 2021, the Nebraska Department of Education (NDE) will determine the total school property tax stabilization payment to be paid to each eligible school district for the 2021-22 school fiscal year.

On or before June 30, 2022, and on or before June 30 of each year thereafter, NDE will determine the total school property tax stabilization payment to be paid to each eligible school district for the ensuing school fiscal year.

A school district is eligible for a school property tax stabilization payment if the school district property tax requirement exceeds seventy percent of the formula needs calculated for that school district for the school fiscal year for which a total school property tax stabilization payment is being calculated.

The school district property tax requirement for each school district will equal the formula needs calculated pursuant to §79-1007.11 minus the sum of the amount to be distributed pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA) as certified pursuant to §79-1022 and other actual receipts as determined pursuant to §79-1018.01 for that school district for the school fiscal year for which a total school property tax stabilization payment is being calculated.

The school property tax stabilization base for an eligible school district will equal the amount by which the school district property tax requirement exceeds the difference of seventy percent of the formula needs minus the sum of the amount to be distributed pursuant to TEEOSA and other actual receipts for that school district.

The total school property tax stabilization payment to be paid to an eligible school district will equal the school property tax stabilization base for that school district multiplied by fifty percent.

The total school property tax stabilization payment calculated for each eligible school district will be certified to the Director of Administrative Services, the Auditor of Public Accounts, and each school district. The amounts certified will be divided and distributed in ten, as nearly as possible, equal monthly school property tax stabilization payments on the last business day of each month beginning in September of the school fiscal year for which such school property tax stabilization payments were certified and ending in June of such school fiscal year, except that a school district that would receive monthly school property tax stabilization payments of less than one thousand dollars will receive the total school property tax stabilization payment on the last business day of December during such school fiscal year.

Agricultural land and horticultural land will be valued at the following percent's of its' actual value for the purpose of school district taxation purposes:

- FY 2021-22: 65%
- FY 2022-23 and after: 55%

An acceptable range is the percentage of variation from a standard for valuation as measured by an established indicator of central tendency of assessment. Acceptable ranges for agricultural land and horticultural land for school district taxation purposes will be:

- FY 2021-22: 59 to 65%
- FY 2022-23 and after: 49 to 55%

EXPENDITURES:

The Department of Revenue (DOR) estimates the need to add 0.5 of an FTE to implement and maintain the changes due to LB454. For FY 2021-22, DOR estimates the salary/benefits cost at \$41,500 with an additional \$5,000 in capital outlay. FY 2022-23, DOR estimates the salary/benefits cost at \$42,500.

For FY 2021-22, the Nebraska Department of Education (NDE) estimates an amount of \$28,314,863 for the School Property Tax Stabilization Act using the FY 2021-22 TEEOSA model data. The impact for FY 2022-23 is estimated at \$59,800,000.

	ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE							
LB:	454	AM:	AGENCY/POLT. SUB:	Depart	ment of Revenue			
RE\	VIEWED BY:	Gary Bush	DATE:	2/9/21	PHONE: (402) 471-4161			
	COMMENTS: No basis to disagree with the estimate provided by the agency. The agency's assumptions appear to be reasonable.							

TOTAL.....

LB ⁽¹⁾ 454 Revise	ed					FISCAL NOTE
State Agency OR Political Sul	NE Dept	of Ed				
Prepared by: (3) Bryce W	Date Pı	repared: (4)2	Phone: (5)	402-471-4320		
ES	TIMATE PROV	IDED BY STA	TE AGENCY	OR POLITICAL S	SUBDIVISIO)N
	FY	Y 2021-22			FY 2022	-23
	EXPENDITURE	<u>RI</u>	<u>EVENUE</u>	EXPENDITU	<u>IRES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$28,314,863	_		\$59,800,0	00	
CASH FUNDS						
FEDERAL FUNDS		<u> </u>				
OTHER FUNDS						
TOTAL FUNDS	\$28,314,863			\$59,800,0	00	
Explanation of Estimate:						
formula need minus the stabilization base. The sequal payments starting is the 2021/22 TEEOSA management of the 2021/22 TEEOSA management of the 2021/22 TEEOSA management of the 2022/23 and by 20% for calculated TEEOSA amount TEEOSA formula. For 2022/23 the propertivaluations are decreased estabilization amount would be stabilization amount would be stabilized by the stabilization	chool property on September and nodel would resisted agricultural all years thereas punt since school y tax stabilization causing the amount be \$27 million	tax stabilization dending in Jult in a total pult in a mount mount of TEEO on with all else	on base is muune. Calculate payment of \$2 l values by 10 long agricultural ll have lower way decrease co OSA to increase the same of long agricultural ll have lower way decrease co OSA to increase the same of long agricultural ll have lower way decrease co OSA to increase the same of long agricultural la long agricultural	Itiplied by 50% ving the Property 28,314,863 during % for school distant adjusted valuations and the pompared to the Fase by \$32.8 millimer than the valuations the valuations and the result of the Fase by \$32.8 millimer than the valuations and the valuations and the valuations and the valuations are supported to the Fase by \$32.8 millimer than the valuations are supported to the page 50% of the property of the page 50% of the	which is to be Tax Stabilizer FY 2021/2 trict purpose luation will erefore reservation. The pration change	be paid out in ten zation amount using 22. Sees applicable to FY increase the ources in the amount as ag operty tax
Personal Services:	<u>BREAKDO</u>	<u>OWN BY MAJO</u>	OR OBJECTS (<u>OF EXPENDITU</u>	<u>RE</u>	
POSITION TITI		NUMBER OF <u>21-22</u>	POSITIONS 22-23	2021-22 EXPENDITU		2022-23 EXPENDITURES
Benefits						
Operating						
Travel						
Capital outlay						
Aid				\$28,314,8	63	\$59,800,000
Capital improvements						

\$28,314,863

\$59,800,000

LB 454 Fiscal Note 2021

State Agency Estimate								
State Agency Name: Department	of Revenue				Date Due LFO:			
Approved by: Tony Fulton		Date Prepared:	2/8/2021		Phone: 471-5896			
	FY 2021-	FY 2021-2022		-2023	FY 2023-2024			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue		
General Funds	\$ 46,500		\$ 42,500		\$ 43,500			
Cash Funds								
Federal Funds								
Other Funds								
Total Funds	\$46,500		\$ 42,500		\$ 43,500			

LB 454 adopts the School Property Tax Stabilization Act (Act).

Section 2, 3, and 4 provide for payments to school districts which relay on property taxes for more than 70% of their formula needs by the State Department of Education.

Section 5 amends Neb. Rev. Stat. § 77-201 to value agricultural and horticultural land and agricultural and horticultural land that qualifies for special valuation, for school district taxation purposes only, at 65% of its actual or special valuation for tax year 2022 and 55% of its actual or special value for each tax year thereafter. School district taxation is defined as property taxes levied on real or personal property by any school district or multiple-district school system, excluding property taxes levied to pay the principal and interest on bonds.

Section 6 amends Neb. Rev. Stat. § 77-5023 to provide the acceptable range of value of agricultural and horticultural land and lands qualifying for special valuation, for school district purposes, to be 59 to 65 % for tax year 2022 and 49 to 55% for each tax year thereafter.

Section 7 amends Neb. Rev. Stat. § 79-1016 to define state aid value for agricultural and horticultural land agricultural and horticultural land receiving special value to mean:

- For school fiscal years prior to 2022-23, 72% of actual value;
- For school fiscal year 2022-23, 62% of actual value; and
- For school fiscal years 2023-24 and each fiscal year thereafter, 52% of actual value.

Section 8 amends Neb. Rev. Stat. § 79-1018.01 to exclude from the definition of other actual receipts any revenue from the Act for the purposes of determining local system formula resources.

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

The Department of Revenue (DOR) will need 0.5 FTE Revenue Tax Specialist Senior starting in FY21-22 to implement the bill.

This bill becomes operative on January 1, 2022, except for Sections 5, and 6 (Sections 77-201 and 77-5023 changes) become effective three months after adjournment.

Major Objects of Expenditure								
Class Code A29622	Classification Title Revenue Tax Specialist Senior	21-22 <u>FTE</u> 0.5	22-23 <u>FTE</u> 0.5	23-24 <u>FTE</u> 0.5	21-22 <u>Expenditures</u> \$ 31.200	22-23 <u>Expenditures</u> \$ 32,000	23-24 <u>Expenditures</u> \$ 32,700	
A29622	Revenue Tax Specialist Senior	0.5	0.5	0.5	\$ 31,200	\$ 32,000	\$ 32,700	
Benefits					\$ 10,300	\$ 10,500	\$ 10,800	
Operating Costs								
Travel								
Capital Outlay					\$ 5,000			
Capital Improvem	ents							
					\$ 46,500	\$ 42,500	\$ 43,500	