PREPARED BY: DATE PREPARED: PHONE: Keisha Patent February 2, 2022 402-471-0059

**LB 860** 

Revision: 00

## **FISCAL NOTE**

**LEGISLATIVE FISCAL ANALYST ESTIMATE** 

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) |                       |         |               |         |  |  |
|--|-----------------------|---------|---------------|---------|--|--|
|  | FY 2022-23 FY 2023-24 |         |               |         |  |  |
|  | EXPENDITURES          | REVENUE | EXPENDITURES  | REVENUE |  |  |
| GENERAL FUNDS  |                       |         | \$138,000,000 |         |  |  |
| CASH FUNDS   |                       |         |               |         |  |  |
| FEDERAL FUNDS  |                       |         |               |         |  |  |
| OTHER FUNDS  |                       |         |               |         |  |  |
| TOTAL FUNDS  |                       |         | \$138,000,000 |         |  |  |

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

LB 860 amends provisions related to the assessment of real property. LB 860 would change the valuation of real property, other than agricultural and horticultural land, to be 90% of the actual value, rather than actual value as it is under current law. The acceptable range such real property would be amended to 82-90%. For the purposes of calculating state aid to school districts, this real property would be valued at 86% of the actual value.

The changes made by LB 860 would go into effect beginning in tax year 2023.

A 10% reduction in the valuation of real property, other than agricultural and horticultural property, will have a significant impact on the valuation base and reduce the amount of revenue able to be generated by levying property taxes for all political subdivisions with levying authority. For school districts, such a reduction will impact the state aid calculated under TEEOSA, which would increase General Fund expenditures. We estimate the increase in TEEOSA aid to be \$138 million in FY 23-24 and \$145 million in FY 24-25.

The Department of Revenue estimates there will be no impact to General Fund revenue and no cost to implement.

The Nebraska Association of County Officials submitted a response, but did not include an estimate of fiscal impact. We estimate there will be minimal administrative costs for county assessors to implement the bill.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE                        |                   |                           |   |  |  |  |
|--|-------------------|---------------------------|---|--|--|--|
| LB: 860  | AM:               | AGENCY/POLT. SUB: Nebrasi | ka Association of County Officials (NACO) |  |  |  |
| REVIEWED I   | BY: Neil Sullivan | DATE: 1/19/2022           | PHONE: (402) 471-4179                     |  |  |  |
| COMMENTS: Insufficient information to concur or dispute with the NACO assessment of fiscal impact of LB 860. |                   |                           |   |  |  |  |

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE                            |                   |                          |                       |  |  |
|--|-------------------|--------------------------|-----------------------|--|--|
| LB: 860  | AM:               | AGENCY/POLT. SUB: Dougla | as County Assessor    |  |  |
| REVIEWED   | BY: Neil Sullivan | DATE: 1/14/2022          | PHONE: (402) 471-4179 |  |  |
| COMMENTS: The assessment of minimal fiscal impact to the Douglas County Assessor from LB 860 appears reasonable. |                   |                          |                       |  |  |

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE                              |                   |                          |                       |  |  |
|--|-------------------|--------------------------|-----------------------|--|--|
| LB: 860  | AM:               | AGENCY/POLT. SUB: Lancas | ster County Assessor  |  |  |
| REVIEWED I   | BY: Neil Sullivan | DATE: 1/13/2022          | PHONE: (402) 471-4179 |  |  |
| COMMENTS: The assessment of minimal fiscal impact to the Lancaster County Assessor from LB 860 appears reasonable. |                   |                          |                       |  |  |

LB 860 Fiscal Note 2022

| State Agency Estimate         |                  |                |              |           |                 |           |
|-------------------------------|------------------|----------------|--------------|-----------|-----------------|-----------|
| State Agency Name: Department | of Revenue (DOR) |                |              |           | Date Due LFO:   |           |
| Approved by: Tony Fulton      |                  | Date Prepared: | 1/31/2022    |           | Phone: 471-5896 |           |
|                               | FY 2022          | 2-2023         | FY 202       | 3-2024    | FY 2024         | 1-2025    |
|                               | Expenditures     | Revenue        | Expenditures | Revenue   | Expenditures    | Revenue   |
| General Funds                 |                  | See below      |              | See below |                 | See below |
| Cash Funds                    |                  |                |              |           |                 |           |
| Federal Funds                 |                  |                |              |           |                 |           |
| Other Funds                   |                  |                |              |           |                 |           |
| Total Funds                   |                  | See below      |              | See below |                 | See below |
|                               |                  |                |              |           |                 |           |

LB 860 makes the following changes to statutes related to property tax or assessment:

Neb. Rev. Stat. § 23-3616, related to sewer tax levies, is amended to change the maximum levy rate 3.5 cents per \$100 of actual value to 3.5 cents per \$100 of taxable value. This same change is made to Neb. Rev. Stat. § 23-3621.

Neb. Rev. Stat. § 77-201is amended to state that for tax years prior to 2023, real property is valued at its actual value, while for 2023 and thereafter, real property shall be valued at 90% of its actual value.

Neb. Rev. Stat. § 77-5023 is amended to change the acceptable level of value for land that is not agricultural land or horticultural land and is not receiving special valuation from 92-100% for tax years prior to 2023 to 82-90% for tax year 2023 and years thereafter.

Neb. Rev. Stat. § 79-1016 is amended to change the definition of state aid value from 96% of actual value for school fiscal years prior to 2023-24 to 86% of actual value for school fiscal years 2023-24 and thereafter.

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 no cost to DOR to implement this bill.

| Major Objects of Expenditure |                      |                     |                     |                     |                       |                       |                       |  |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|--|
| Class Code                   | Classification Title | 22-23<br><u>FTE</u> | 23-24<br><u>FTE</u> | 24-25<br><u>FTE</u> | 22-23<br>Expenditures | 23-24<br>Expenditures | 24-25<br>Expenditures |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
|                              |                      |                     |                     |                     |                       |                       |                       |  |
| Benefits                     |                      |                     |                     |                     |                       |                       |                       |  |
| Operating Costs              |                      |                     |                     |                     |                       |                       |                       |  |
| Travel                       |                      |                     |                     |                     |                       |                       |                       |  |
| Capital Outlay               |                      |                     |                     |                     |                       |                       |                       |  |
| Capital Improvements         |                      |                     |                     |                     |                       |                       |                       |  |
| Total                        |                      |                     |                     |                     |                       |                       |                       |  |

| <b>LB</b> (1) 860 |  |   |  | FISCAL NOTE             |  |  |  |
|-------------------|--|---|--|-------------------------|--|--|--|
| State Agency OR   | Political Subdivision Name: (2)                      | Nebraska Association of County Officials (NACO) |  |                         |  |  |  |
| Prepared by: (3)  | Elaine Menzel  | Date Prepared: (4)                              | 1/11/2022 Phone:   | 402.434.5660            |  |  |  |
|                   | ESTIMATE PROV  | IDED BY STATE AGE                               | NCY OR POLITICAL SUBDIV  | ISION                   |  |  |  |
|                   | ·  | 2022-23   | FY 20  |                         |  |  |  |
|                   | <b>EXPENDITURES</b>                                  | <u>REVENUE</u>                                  | <b>EXPENDITURES</b>  | <u>REVENUE</u>          |  |  |  |
| GENERAL FUN       | NDS  |   | _  |                         |  |  |  |
| CASH FUNDS        |  |   |  |                         |  |  |  |
| FEDERAL FUN       | NDS  |   |  |                         |  |  |  |
| OTHER FUND        | S  |   |  |                         |  |  |  |
| TOTAL FUNDS       | s  |   |  |                         |  |  |  |
| Explanation of l  | Estimate:  |   |  |                         |  |  |  |
| of actual value   | e. The Tax Equalization ar acceptable range of 82 to | nd Review Commissio<br>90 percent for resider   | ial real property from 100% on, as part of its annual equantial and commercial real pr | alization meeting,      |  |  |  |
| Personal Service  |  | VN BY MAJOR OBJEC                               | <u> IS OF EXPENDITURE</u>  |                         |  |  |  |
| POSIT             | PION TITLE   | UMBER OF POSITION <u>22-23</u> <u>23-24</u>     | IS 2022-23 EXPENDITURES  | 2023-24<br>EXPENDITURES |  |  |  |
| Benefits          |  |   |  |                         |  |  |  |
| Operating         |  |   |  |                         |  |  |  |
| Travel            |  |   |  |                         |  |  |  |
| Capital outlay    |  |   |  |                         |  |  |  |
| Aid               |  |   |  |                         |  |  |  |
| Capital improve   | ements   |   |  |                         |  |  |  |
| TOTAL             |  |   |  |                         |  |  |  |

| <b>LB</b> <sup>(1)</sup>                        | 860   |  |   |  |   |  | <b>FISCAL NOTE</b>  |
|---|---|--|---|--|---|--|---|
| State Ag  | gency OR I  | Political Subdivision Name:  | Douglas Cou   | nty Ass  | essor/Regist  | ter of Deeds   | 5   |
| Prepare   | ed by: (3)  | Michael Goodwillie   | Date Prepare  | ed: (4) 1  | /13/2021  | Phone:<br>(5)(402) 444<br>6703   |   |
|   |   | ESTIMATE PRO   | VIDED BY STATE  | AGENCY   | OR POLITIC  | CAL SUBDIVIS   | SION  |
|   |   | <u> </u>   | Y 2022-23   |  |   | FY 2023  | <u>3-24</u>   |
|   |   | <b>EXPENDITUR</b>  | ES REVEN  | <u>UE</u>  | EXPENDI'  | <u>TURES</u>   | REVENUE   |
| GENEI   | RAL FUN   | DS   |   |  |   |  |   |
| CASH 1  | FUNDS   |  |   |  |   |  |   |
| FEDER   | RAL FUNI  |  |   |  | -   |  |   |
| OTHE  | R FUNDS   |  |   |  |   |  |   |
| TOTAL   | L FUNDS   |  | <u> </u>  |  |   |  |   |
| This is value—its new reduced property of the p | es would be a bill thate-taking allestandard. d by ten pe ty taxes, in ty tax reve- cotential l | e measured against level would have little effect of the steps we already take. However, on its face the ercent. If that happens, in turn putting pressure of the ercent as in the prior year beause of property value, the burage you to reach out to | of value standard of<br>on our office. We we<br>e such as inspections<br>e bill suggests that t<br>will reduce the prop<br>a levy rates. (If a pol<br>ut has less value ava<br>re might be an impac | between a<br>buld conti<br>and phot<br>axable va<br>perty valu<br>itical sub<br>ilable to<br>ct on the | mue to appraise tos— and then a lue for nonagrines within the podivision wants tax, it can simpotential rever | of market value property to on the property to on the property of the property | determine its actual tement to get value to property would be visions that levy similar amount of e levy rate.) Because |
| Person  | al Service  |  |   |  |   |  |   |
|   | POSIT   | ION TITLE  | NUMBER OF POSI <sup>2</sup> <u>22-23</u> <u>2:</u>  | TIONS<br><u>3-24</u>   | 2022-<br><u>EXPENDI</u>   |  | 2023-24<br>EXPENDITURES   |
|   |   |  |   |  |   |  |   |
| Benefit   | s   |  |   |  |   |  |   |
|   |   |  |   |  |   |  |   |
| Travel.   |   |  |   |  | -   |  |   |
| Capital   | outlay  |  |   |  |   |  |   |
| Aid   |   |  |   |  |   |  |   |
| Capital   | improven  | nents  |   |  |   |  |   |
| TO  | TAL   |  |   |  |   |  |   |

| LB <sup>(1)</sup> 860          |                       |                               |                         |                           | FISCAL NOTE                  |
|--------------------------------|-----------------------|-------------------------------|-------------------------|---------------------------|------------------------------|
| State Agency OR Political      | Subdivision Name: (2) | Lancaster County              | Assessor/RO             | D                         |                              |
| Prepared by: (3) Scott         | Gaines                | Date Prepared: (4)            | 1/12/22                 | Phone: (5)                | 402-441-6580                 |
|                                | ESTIMATE PROV         | IDED BY STATE AGEN            | NCY OR POLITI           | CAL SUBDIVIS              | ION                          |
|                                |                       |                               |                         |                           |                              |
|                                | EXPENDITURES          | 2022-23<br>REVENUE            | EXPEND                  | <u>FY 2023-</u><br>ITURES | <u>·24</u><br><u>REVENUE</u> |
| GENERAL FUNDS                  |                       |                               |                         |                           |                              |
| CASH FUNDS                     |                       | -                             | <del>-</del>            |                           |                              |
| FEDERAL FUNDS                  |                       |                               |                         |                           |                              |
| OTHER FUNDS                    |                       |                               |                         |                           |                              |
| TOTAL FUNDS                    |                       | <u> </u>                      | <del>-</del>            |                           |                              |
|                                |                       | =                             |                         |                           |                              |
| Explanation of Estimate        | 2:                    |                               |                         |                           |                              |
|                                |                       |                               |                         |                           |                              |
|                                | BREAKDOV              | VN BY MAJOR OBJECT            | S OF EXPENDI            | TURE                      | <del></del>                  |
| Personal Services:  POSITION T |                       | UMBER OF POSITION 22-23 23-24 | S 2022<br><u>EXPEND</u> |                           | 2023-24<br>EXPENDITURES      |
| Benefits                       |                       |                               |                         |                           |                              |
| Operating                      |                       |                               |                         |                           |                              |
| Travel                         |                       |                               |                         |                           |                              |
| Capital outlay                 |                       |                               |                         |                           |                              |
| Aid                            |                       |                               |                         |                           |                              |
| Capital improvements           |                       |                               |                         |                           |                              |
| TOTAL                          |                       |                               |                         |                           |                              |