

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

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

	FY 2025-26		FY 2026-27	
	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.

LB500 creates the School Financing Review Commission & provides powers & duties.

The commission consists of twenty-one members, including:

- the Commissioner of Education or a designee of the Commissioner
- one representative of the Governor, appointed by the Governor
- three members of the Legislature, who will be nonvoting members of the commission, one from each congressional district with no more than two from the same political party & with one being a member of the Education Committee of the Legislature & one being a member of the Revenue Committee of the Legislature
- the Property Tax Administrator or a designee of the Property Tax Administrator
- one representative of postsecondary education with expertise in school finance
- one member of the Educational Service Unit Coordinating Council (ESUCC)
- one school board member & one school administrator each representing a Class III school district with not more than one thousand two hundred students
- one school board member & one school administrator each representing a Class III school district with more than one thousand two hundred students but not more than ten thousand students
- one representative of a Class IV school district (Lincoln) & one representative of a Class V school district (Omaha). One member appointed will be a school board member of the school district being represented, & the other member appointed will be a school administrator in the other school district being represented
- one member who is teaching as a certificated teacher in a public school
- six members from the state at large:
 - two from each congressional district, who reside in school districts of varied sizes & with varying percentages of limited English proficiency students & poverty students
 - at least one of the members appointed will have experience in business
 - at least one will have experience in farming

Commission members will be appointed by the Executive Board of the Legislative Council in January of each odd-numbered year for two-year terms, except the initial members will be appointed within thirty days after the effective date of this act & will serve until their successors are appointed in January of 2027.

Commission members will be appointed by the Governor within thirty days after the effective date of this act to serve through December 31, 2034, & any vacancy will be filled by the Governor for the remainder of the vacated term. Of the four members, at least one will be from each congressional district. To the extent possible, the membership of the commission will be diverse in terms of race, gender, & other demographic factors.

Members of the commission will not receive any compensation for their services but will be reimbursed for expenses incurred as a member of the commission. The commission will be housed within NDE.

The Commission will conduct an in-depth review of the financing of the public elementary & secondary schools. As a part of the review, the commission will:

- examine methods of financing public elementary & secondary schools, including methods used in other states, which would provide equitable educational opportunities across the state & offer alternatives to a heavy reliance on property tax
- examine the option of using a measure of income as a component in the financing of public elementary & secondary schools
- examine the option of using sales tax as a component in the financing of public elementary & secondary schools, including, but not limited to, an examination of the experience of any other states with that option
- examine financing issues as they relate to the quality & performance of public elementary & secondary schools
- examine options for funding public prekindergarten services
- examine options for funding college-readiness & career-readiness programs, including, but not limited to, programs of excellence, dual-enrollment courses, & career academies
- examine the costs & resources necessary to meet the diverse & growing needs of students across the state, including, but not limited to, the needs of poverty students & limited English proficiency students
- examine methods used by other states to fund public elementary & secondary school infrastructure needs
- examine other issues related to public elementary & secondary school finance as necessary & as determined by the chairperson
- prepare a preliminary report & present it to the Legislative Council in November 2025. A final report with recommendations on maintaining adequate & equitable funding for public schools in light of information gathered through the review will be presented to the Governor, to the State Board of Education, & electronically to the Legislature by December 1, 2025

After submission of its final report, to assure that every Nebraskan is educated for success, the School Financing Review Commission will:

- review the mission of providing Nebraskans the opportunity to acquire the necessary skills & knowledge to be productive individuals
- review, make recommendations on, & report on progress toward achieving any goals established by the Legislature & the Nebraska Department of Education (NDE) related to that mission. The commission can solicit comments, concerns, & case studies from schools of all sizes in Nebraska & develop best practices for implementing & achieving those goals
- review the implementation of the Tax Equity & Educational Opportunities Support Act (TEEOSA) & the implementation of any recommendations contained in the reports

On or before July 1 of each even-numbered year beginning in 2028 & ending in 2034, the Commission will report to the Governor, to the State Board of Education, & electronically to the Legislature on the adequacy of school funding sources.

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

FISCAL IMPACT:

There will be some fiscal impact as the commission members will be reimbursed for expenses incurred but that amount cannot be determined at this time.

ANALYST NOTE:

School district classifications were updated with LB1329 (2024) so there is not a Class III school district with less than five thousand students which would leave the commission without at least two members.

§79-102 classifies school districts as follows:

- Class I – a territory having a population of fewer than one thousand five hundred inhabitants that maintains both elementary & high school grades under the direction of a single school board
- Class II – a territory having a population of one thousand five hundred or more but fewer than five thousand inhabitants that maintains both elementary & high school grades under the direction of a single school board
- Class III – a territory having a population of five thousand or more but fewer than two hundred thousand inhabitants that maintains both elementary & high school grades under the direction of a single school board
- Class IV – a territory having a population of two hundred thousand or more inhabitants with a city of the primary class within the territory of the district that maintains both elementary & high school grades under the direction of a single school board
- Class V – a territory having a city of the metropolitan class within the territory of the district that maintains both elementary grades & high school grades under the direction of a single school board

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 500	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Kimberly Burns		DATE: 02/02/2025	PHONE: (402) 471-4171
COMMENTS: Concur with the Nebraska Department of Education’s assessment of negligible fiscal impact to the agency from LB 500.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 500	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Kimberly Burns		DATE: 02/06/2025	PHONE: (402) 471-4171
COMMENTS: Concur with the Department of Revenue's assessment of no fiscal impact from LB 500.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 500	AM:	AGENCY/POLT. SUB: University of Nebraska System	
REVIEWED BY: Kimberly Burns		DATE: 02/02/2025	PHONE: (402) 471-4171
COMMENTS: Concur with the University of Nebraska System's assessment of no fiscal impact resulting from LB 500.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 500	AM:	AGENCY/POLT. SUB: Coordinating Commission for Postsecondary Education	
REVIEWED BY: Kimberly Burns		DATE: 02/02/2025	PHONE: (402) 471-4171
COMMENTS: Concur with the Coordinating Commission for Postsecondary Education's assessment of no fiscal impact resulting from LB 500.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 500	AM:	AGENCY/POLT. SUB: Nebraska State College System	
REVIEWED BY: Kimberly Burns		DATE: 02/03/2025	PHONE: (402) 471-4171
COMMENTS: Concur with the Nebraska State College System's assessment of no fiscal impact from LB 500.			

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

2025

LB⁽¹⁾ 500

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/31/25 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	<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 132 creates the School Financing Review Commission. The commission shall consist of twenty-one members, including:

- (a) The Commissioner of Education or his or her designee (Chairperson);
- (b) One representative of the Governor appointed by the Governor;
- (c) Three non-voting members of Legislature;
- (d) The Property tax Administrator or designee;
- (e) One representative of postsecondary education with expertise in school finance;
- (f) One member of the Educational Service Unit Coordinating Council;
- (g) One school board member and one school administrator each representing a class III school district with not more than one thousand two hundred students;
- (h) One school board member and one school administrator each representing a class III school district with more than one thousand two hundred students but not more than ten thousand students;
- (i) One representative of a Class IV school district and one representative of a Class V school district.
- (j) One member whis is teaching as a certificated teacher in a public school;
- (k) Six members from the state at large:
 - Two from each congressional district, who reside in school districts of varied sizes and with varying percentages of limited English proficiency students and poverty students.
 - At least one shall have experience in business,
 - At least one shall have experience in an agriculture-related business.

- The School Financing Review Commission shall conduct an in-depth review of the financing of the public elementary and secondary schools. As a part of such in-depth review, the commission shall: including:
 - A final report with recommendations on maintaining adequate and equitable funding for public schools in light of information gathered through the review shall be presented to the Governor, the State Board of Education, and electronically to the Legislature by December 1, 2025.
 - On or before July 1 of each even-numbered year beginning in 2028 and ending in 2034, the School Financing Review Commission shall report to the Governor, to the State Board of Education, and electronically to the Legislature on the adequacy of school funding sources.

The fiscal impact to the State and NDE for Committee expenses would be minimal.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency Estimate

State Agency Name: Department of Revenue				Date Due LFO:				
Approved by: James R. Kamm		Date Prepared: 02/05/2025		Phone: 471-5896				
	<u>FY 2025-2026</u>			<u>FY 2026-2027</u>			<u>FY 2027-2028</u>	
	<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>		<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0			\$ 0			\$ 0
Cash Funds								
Federal Funds								
Other Funds								
Total Funds		\$ 0			\$ 0			\$ 0

LB 500 creates the School Financing Review Commission. This Commission is made up of 21 members. This includes:

- a) The commissioner of Education or designee.
- b) One Representative appointed by the Governor.
- c) Three members of the Legislature, who are no voting members, from each Congressional District, no more than two from the same party, and one from the Education Committee, and one from the Revenue Committee.
- d) Property Tax Administrator or designee.
- e) One Representative of postsecondary education with expertise in school finance.
- f) One member of the Educational Service Unit Coordinating Council.
- g) One school board member from a Class III school district with not more than 1,200 students.
- h) One administrator from a Class III school district with not more than 1,200 students.
- i) One school board member from a Class III school district with more than 1,200 students.
- j) One administrator from a Class III school district with more than 1,200 students.
- k) One Representative of a Class IV School District.
- l) One Representative of a Class V School District.
- m) One member who is teaching as a Certified Teacher in public schools.
- n) Six members from the state at large, with two from each Congressional district. At least one of who must have experience in business and at least one must have experience in farming.

Members from (c) must be appointed by the Executive Board of the Legislative council.

Members from (e) must be appointed by the Governor within 30 days of the effective date of this act and serve through December 31, 2034.

Members of the Commission must not receive compensation but must be reimbursed.

The Commissioner of Education or designee must be the chairperson of the Commission.

Major Objects of Expenditure							
<u>Class Code</u>	<u>Classification Title</u>	<u>25-26 FTE</u>	<u>26-27 FTE</u>	<u>27-28 FTE</u>	<u>25-26 Expenditures</u>	<u>26-27 Expenditures</u>	<u>27-28 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

The Commissioner must do an in-depth review of the financing of the public elementary and secondary schools.

They must examine:

- Financing of public elementary and secondary schools;
- The option of using a measure of income as a component in financing these schools;
- The option of using sales tax;
- Financing issues as they relate to the quality and performance of these schools;
- Options of funding public pre-kindergarten services;
- Options for funding college-readiness and career-readiness programs;
- Methods used by other states to fund these schools' infrastructure needs;
- Other public elementary and secondary school finance issues as necessary.

A preliminary report must be prepared and presented to the Legislative Council in November 2025.

After submission of the final report the Commission must

- review the mission of providing Nebraskans the opportunity to acquire necessary skills and knowledge to be productive individuals;
- review and make recommendations on progress toward achieving any goals established by the Legislature and the State Department of Education related to such mission;
- review the implementation of the Tax Equity and Educational Opportunities Support Act;
- report to the Governor, the State Board of Education, and the Legislature on or before July 1 of each even numbered year from 2028 to 2034.

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

It is estimated that LB 500 will have no impact on General Fund revenues.

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

State Agency OR Political Subdivision Name:⁽²⁾ University of Nebraska System
Prepared by:⁽³⁾ Anne Barnes Date Prepared:⁽⁴⁾ 01/27/2025 Phone:⁽⁵⁾ (402) 559-6300

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025 - 26		FY 2026 - 27	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
CASH FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
FEDERAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
OTHER FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

By Erin Cooper - Erin K Cooper

No Fiscal Impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025 - 26</u>	<u>2026 - 27</u>
	<u>25 - 26</u>	<u>26 - 27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
	<u>0</u>	<u>0</u>		
	<u>0</u>	<u>0</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: ⁽²⁾ Coordinating Commission for Postsecondary Education

Prepared by: ⁽³⁾ Gary Timm

Date Prepared: ⁽⁴⁾ 1/23/2025

Phone: ⁽⁵⁾ 402.471.0020

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska State College System

Prepared by: ⁽³⁾ Brenda Owen

Date Prepared: ⁽⁴⁾ 1-27-2025

Phone: ⁽⁵⁾ 471-2507

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No fiscal impact

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE				
Personal Services:				
POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				