

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	SEE BELOW		SEE BELOW	
FEDERAL FUNDS				
OTHER FUNDS	SEE BELOW		SEE BELOW	
TOTAL FUNDS	SEE BELOW		SEE BELOW	

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

LB652 amends §72-201 to terminate the Board of Educational Lands & Funds (BELF) & to provide for the sale of school lands.

BELF will terminate as a state agency on July 1, 2027. On that date, the Department of Administrative Services (DAS) will assume control of all of the school lands that had been under the general management & control of BELF immediately prior to their termination. DAS will sell the lands as the leases for the lands expire. The person who was leasing the land most recently will have the right of first refusal to purchase the land. If that person does not purchase the land, DAS will sell the land at public auction. The proceeds of the sales will be remitted to the State Treasurer for credit to the permanent school fund. In addition, any funds placed into the temporary school fund by BELF that are still in the fund on July 1, 2027, will be distributed to the school districts.

Each year, school districts will receive their share of the Temporary School Fund (Apportionment) based on the census of children ages five to eighteen who live in their district.

TECHNICAL NOTES:

LB 652 doesn't clarify how or when the transfer of BELF's current appropriations, staff (FTE's & PSL), furniture, building, pickups, UTV's, trailers, etc. will occur.

Multiple statutes within the Revised Statutes Chapter 72 – Public Land, Buildings, & Funds will need to be updated to reflect DAS instead of BELF being the agency overseeing all aspects of the school lands & Permanent/Temporary School Funds.

The Nebraska State Surveyor is appointed by BELF & resides in the same building as BELF. LB652 does not clarify the status of the Nebraska State Surveyor, Deputy State Surveyors or its' office staff, nor does it provide any guidance for the future of the Nebraska State Surveyor's office, the Nebraska Survey Record Repository, or the impact to the Nebraska Board of Examiners for Land Surveyors.

Article VII, section 6 of the Nebraska Constitution states the management of the education lands is vested, under direction of the Legislature, with the Board of Educational Lands and Funds.

FISCAL IMPACT:

BELF estimates the need for \$65,000 for public relations & communication to inform the public of the agency's termination.

If their employees aren't transitioned into different roles within the state, BELF would be required to pay for all of their accumulated vacation leave, percentage of sick leave, & associated payroll benefit expenses which is estimated at \$709,380. BELF also estimates legal expenses of \$110,000 related to the fiduciary duties & responsibilities of Trust Funds.

The Nebraska Department of Education (NDE) estimates that there could be an impact to the annual State Apportionment payment that is certified by the State Treasurer, that impact cannot be determined at this time.

Starting in FY2027-28, it is assumed that DAS will absorb thirteen of BELF's current staff (no Director, administrative/financial staff or per diem staff) & will also need one additional FTE (Procurement Contracts Officer - A04013) to handle & oversee the required transactions from the sale of properties.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 652	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
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REVIEWED BY: Kimberly Burns	DATE: 03/06/2025	PHONE: (402) 471-4171
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COMMENTS: Concur with the Department of Education's assessment of no fiscal impact for the agency and indeterminate impact for the school districts resulting from LB 652.
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ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 652	AM:	AGENCY/POLT. SUB: Board of Educational Lands and Funds
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REVIEWED BY: Kimberly Burns	DATE: 02/18/2025	PHONE: (402) 471-4171
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COMMENTS: No basis to disagree with the Board of Educational Lands and Funds' estimate of fiscal impact resulting from LB 652.
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ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 652	AM:	AGENCY/POLT. SUB: Nebraska State Surveyor
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REVIEWED BY: Kimberly Burns	DATE: 01/31/2025	PHONE: (402) 471-4171
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COMMENTS: Concur with the Nebraska State Surveyor's assessment of indeterminate fiscal impact from LB 652.
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Please complete ALL (5) blanks in the first three lines.

2025

LB⁽¹⁾ 652

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – State Building Division (SBD)

Prepared by: ⁽³⁾ Brent Flachsbart Date Prepared: ⁽⁴⁾ 02/24/2025 Phone: ⁽⁵⁾ 531-207-9029
Ann Martinez 402-471-4135

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2027-28		FY 2028-29	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$410,157			
CASH FUNDS	\$14,489,657			
FEDERAL FUNDS				
TRUST FUNDS	\$1,144,170			
TOTAL FUNDS	\$16,043,984		See Below	

Explanation of Estimate:

LB 652 proposes to terminate the Board of Educational Lands and Funds (the “Board”) on July 1, 2027, (the next biennium) and have the Department of Administrative Services (DAS) assume control of all school lands under the management and control of the board. DAS is then to sell the school lands as the leases expire, giving the lessee a right of first refusal to purchase the property. If the lessee does not purchase the land, such land is to be sold at public auction and the funds remitted to the permanent school fund of the state.

According to the Board’s website, the current holdings consist of 3,123 leases covering 1,259,290 acres of land with varying expiration dates for those leases as follows:

Year of Expiring Lease	No. of Leases
2024	443
2025	423
2026	390
2027	408
2028	433
2029	334
2030	311
2031	246
2032	56
2033	62
2034	2
After 2023	12
TOTAL	3,123

It is assumed that the leases set to expire prior to July 1, 2027, will be renewed with new termination dates; however, the year in which those leases will expire is unknown at this time.

At the time of each lease expiration an appraisal would be required to determine the market value of the land to be sold. Each parcel would then be offered to the lessee for purchase and, if refused, would be required to be advertised for public auction.

It is estimated to, based on the number of leases, require approximately 400 sales annually. It is possible as leases come due there will be no interested buyers, and the lease will be renewed.

LB 652 as introduced doesn't provide for a transfer of staff (FTE's), furniture, building, pickups, UTV's, trailers, etc., nor the source of funding to maintain the Board's operations by the Department of Administrative Services (DAS) - State Building Division (SBD) until all the properties have been sold. A future reduction in staff and operational costs would be achieved as properties are sold.

DAS-SBD would be required to continue the current operational responsibilities of the Board and would require one additional Procurement Contracts Officer (A04013) to handle and oversee such transactions required for the sale of the property. DAS-SBD would also incur additional costs related to assessments for administration, financial and HR/payroll costs related to this new DAS-SBD program and costs related for possible outside appraisals and the costs of selling the properties – advertising, etc. In addition, DAS-SBD would require the transfer of most of the current Board's staff and assets to continue the Board's responsibilities until such time as all the properties were sold. This would include PSL, appropriation and access to the Board's existing funds – General, Cash and Trust Funds.

Using reduced staffing to 13 positions – no Director, administrative/financial staff or per diem staff, or vacancies not filled, plus the addition of one (1) new position (applying salary and health insurance expenses) and using actual FY23-24 (the most recently completed fiscal year) operating and travel expenses, it is estimated below for FY27-28 PSL needs of \$1,607,795 and appropriation (excluding any capital assets) needs of \$16,043,984. The estimated expenditures by fund type are above.

Additional analysis is needed prior to July 1, 2027, to determine the operations that DAS-SBD will need to continue until all the properties are sold, updated salary and benefit amounts, operational costs and an understanding of the various other operating expenditures that use Trust funds.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2027-28</u>	<u>2028-29</u>
	<u>27-28</u>	<u>28-29</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Various	14		\$1,607,795	
Benefits.....			\$641,083	
Operating.....			\$13,774,057	
Travel.....			\$21,049	
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$16,043,984	

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

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 3/5/25

Phone: ⁽⁵⁾ 402-471-4320

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:

LB 652 eliminates The Board of Educational Lands and Funds on July 1, 2027. This bill requires that all school lands be sold with the proceeds deposited into the permanent school fund and any remaining proceeds in the temporary school fund be distributed to school districts.

There likely would be an impact on the Apportionment funding for schools but the actual impact can't be determined at this time. No fiscal impact to NDE.

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 Surveyor

Prepared by: ⁽³⁾ Casey C. Sherlock

Date Prepared: ⁽⁴⁾ January 30, 2025

Phone: ⁽⁵⁾ 402-471-2566

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	0	0	0	0
CASH FUNDS	0	0	0	0
FEDERAL FUNDS	0	0	0	0
OTHER FUNDS	0	0	0	0
TOTAL FUNDS	0	0	0	0

Explanation of Estimate:

The Nebraska State Surveyor is appointed by the Board of Educational Lands & Funds. The bill makes no determination as to the status of the Nebraska State Surveyor, Deputy State Surveyors or office staff. This legislative bill provides no guidance for the future of the Nebraska State Surveyor’s office, the Nebraska Survey Record Repository, or the impact to the Nebraska Board of Examiners for Land Surveyors. From the language proposed I am unable to make any determinations of fact based upon the vagueness of this bill.

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.....				

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

2025

LB⁽¹⁾ 652

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Board of Educational Lands and Funds

Prepared by: ⁽³⁾ Kelly L. Sudbeck Date Prepared: ⁽⁴⁾ 01/30/25 Phone: ⁽⁵⁾ 402-471-2014

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$65,000.00		\$819,380.00	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

The estimated expenses related to terminating the Board of Educational Lands and fund for FY25/26 are related to public relations and communication expense of \$65,000.00 to inform the public of the Legislative Action. If Legislative Bill 652 passes the Board of Educational Lands and Funds would be required to pay employees for their accumulated vacation leave, percentage of sick leave, and associated payroll benefit expenses estimated at \$709,380.00. The Board also expects to accrue legal expenses of \$110,000.00 related to their fiduciary duties and responsibility of Trust Funds.

Depending upon how the lands are managed by the Department of Administrative Services, the loss of revenue to the Nebraska Public Schools, for the operative years of this bill, could be in the millions, to tens of millions of dollars. The sale procedure set forth in this bill would, in this Board's opinion, result in a "fire sale" scenario, wherein the auctions would fail to realize full market value for the properties, and the School Land Trust, and the Public Schools, could potentially lose hundreds of millions of dollars in lost proceeds, and additional millions of dollars in corresponding lost revenue on the unrealized proceeds of the auctions.

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.....			\$65,000.00	\$819,380.00
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$65,000.00	\$819,380.00