

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	\$92,441,039		\$78,686,347	
CASH FUNDS	\$368,322		\$464,765	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$92,809,361		\$79,151,111	

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

LB597 amends several sections to change the provisions for foundation aid, local effort rate yield; adjusted valuations of property, & certain certification dates concerning the Tax Equity & Educational Opportunities Support Act (TEEOSA).

Beginning with the 2025-26 school year & each school year thereafter, the foundation aid to be paid to each school district will equal the greater of:

- one thousand five hundred dollars multiplied by the number of formula students for that school district or
- seven & one-half percent of the basic funding calculated for that school district

Beginning with the 2025-26 school year & each school year thereafter:

- for state aid certified, the local effort rate will be the maximum levy, for the school year for which the aid is being certified, less ten cents
- for the final calculation of state aid, the local effort rate will be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid under TEEOSA, will produce the amount needed to support the total formula need of that local system when added to state aid appropriated by the Legislature & other actual receipts of local systems
- the local effort rate yield for those school years will be determined by multiplying each local system's total adjusted valuation by the local effort rate

The Appropriations Committee of the Legislature will annually include the amount necessary to fund the state aid that will be certified to school districts on or before June 15, 2025 & on or before March 1 of each year thereafter for each ensuing school year in its recommendations to the Legislature to carry out the requirements of TEEOSA.

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

FISCAL IMPACT:

Fiscal Year	Current TEEOSA Est.	LB597 Estimate	Change in TEEOSA
FY2025-26	\$1,192,430,823	\$1,285,240,184	\$92,809,361
FY2026-27	\$1,183,038,649	\$1,262,189,760	\$79,151,111
FY2027-28	\$1,201,494,910	\$1,275,051,945	\$73,557,036
FY2028-29	\$1,220,904,874	\$1,291,650,345	\$70,745,471

Because 24% of foundation aid is paid from the Education Future Fund, the total impact is split between General Funds and cash funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 597	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Kimberly Burns		DATE: 02/06/2025	PHONE: (402) 471-4171
COMMENTS: The Nebraska Department of Education's estimate of fiscal impact in FY 2025-26 from LB 597 appears reasonable based on the outlined assumptions, but do not fully support assumption that fiscal impact in FY 2026-27 will be roughly the same, as multiple factors can impact the TEEOSA formula.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 597	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 resulting from LB 597.			

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

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 2/4/25

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	\$118,512,656		\$119,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$118,512,656		\$119,000,000	

Explanation of Estimate:

LB 597 proposes the following changes to TEEOSA;

- Changes foundation aid to the greater of \$1,500 per formula student or 7.5% of basic funding for each district.
- Changes the Local Effort Rate from \$.05 below the maximum levy to \$.10 below the maximum levy.
- Changes agricultural and horticultural adjusted valuations used in the TEEOSA formula from 72% of actual to 65% of actual.

Additionally, this bill voids any prior certification for 2025/26 TEEOSA and creates a certification date for 2025/26 of June 15th.

The change to foundation aid will increase the foundation aid for the smaller districts in the State. The other two changes will reduce the amount of local resources available in the TEEOSA formula resulting in more equalized districts and more equalization aid.

The cost of LB 597 for FY 2025/26 is \$118,512,656. With no additional changes the estimate is roughly the same for FY 2026/27.

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.....			\$118,512,656	\$119,000,000
Capital improvements.....				
TOTAL.....			\$118,512,656	\$119,000,000

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 597 changes the way foundation aid is paid to each school district:

- a) For fiscal year 2024-25 the foundation aid paid to the school district is \$1,500 times the number of formula students in the school district.
- b) For fiscal year 2025-26 and each year after, the foundation aid paid is greater of (1) \$1,500 times the number of formula students in the school district; or (2) 7.5% of the basic funding calculated pursuant to 79-1007.16.

LB 597 changes the way the local effort rate yield is determined beginning with school fiscal year 2025-26 and for each school year thereafter:

- a) For state aid certified pursuant to section 79-1022, the local effort rate will be the maximum levy, for the school fiscal year for which aid is being certified, authorized pursuant to subdivision (2)(a) of section 77-3442 less ten cents;
- b) For the final calculation of state aid pursuant to section 79-1065, the local effort rate will be the rate which, when multiplied by the total adjusted valuation of all taxable property in local systems receiving equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act, will produce the amount needed to support the total formula need of such school systems when added to state aid appropriated by the Legislature and other actual receipts of local systems described in section 79-1018.01; and
- c) The local effort rate yield for such school fiscal years will be determined by multiplying each local system's total adjusted valuation by the local effort rate.

For agricultural and horticultural land, the adjusted valuation for calculation of aid is decreased from 72% to 65% of actual and special value for school fiscal years 2025-26 and after.

The Department of Education will determine the amounts to be distributed to each school system, the necessary funding for the coming school year, and the applicable allowable reserve percentage for the coming school year on or before June 15, 2025, and on or before March 1 of each year thereafter.

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

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.....							

LB 597 alters the state aid value of TEEOSA fund, which will have a corresponding impact on General Fund expenditures.

It is estimated that there will be no cost to the Department of Revenue to implement this bill.