

**ONE HUNDRED SEVENTH LEGISLATURE - SECOND SESSION - 2022**  
**COMMITTEE STATEMENT**  
**LB986**

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**Hearing Date:** Thursday January 20, 2022  
**Committee On:** Revenue  
**Introducer:** Briese  
**One Liner:** Adopt the School District Property Tax Limitation Act

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**Roll Call Vote - Final Committee Action:**

Advanced to General File with amendment(s)

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**Vote Results:**

|                            |   |   |
|----------------------------|---|---|
| <b>Aye:</b>                | 6 | Senators Albrecht, Briese, Flood, Friesen, Lindstrom, Linehan |
| <b>Nay:</b>                | 2 | Senators Bostar, Pahls  |
| <b>Absent:</b>             |   |   |
| <b>Present Not Voting:</b> |   |   |

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**Oral Testimony:**

**Proponents:**

Senator Tom Briese  
Nicole Fox  
Bud Synhorst  
Brenda Masek

**Representing:**

Introducer  
Platte Institute  
LIBA  
Nebraska Cattlemen, Nebraska Farm Bureau

**Opponents:**

Craig Beck  
Rachel Gibson  
Jack Moles  
Jason Buckingham  
Dave Welsch

**Representing:**

OpenSky Policy Institute  
League of Women Voters of Nebraska  
NRCSA, NCSA, NSEA, STANCE, ESU CC  
GNSA  
Milford Public Schools, Nebraska Association of School Boards  
Nebraska Farmers Union  
Nebraska Association of County Officials

**Neutral:**

**Representing:**

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**Summary of purpose and/or changes:**

LB986 creates the School District Property Tax Limitation Act (Act). The purpose of this Act is to limit the property tax request for a school district by its property tax request authority. The limit does not apply to the tax request required to retire bonded indebtedness.

The bill has an operative date of January 1, 2023. The provisions of the Act will not apply to a school district until the 2023-2024 school fiscal year.

The Nebraska Department of Education (NDE) will annually calculate and certify the property tax request authority for each school district. LB986 is silent on the date the NDE must provide the property tax request authority to the school districts.

The following steps will be used to calculate the property tax request authority. The property tax request is increased by the highest percentage of one of the following:

- The base growth percentage.
  - The base growth percentage is the greater of 2.5% or the percentage increase in the CPI for All Urban Consumers for the 12-month period ending June 30; or
- The annual percentage increase in student enrollment multiplied by .4.
  - Student enrollment is the total number of students according to the fall school district membership report;  
or
- The annual increase in limited English proficiency students to the student enrollment multiplied by .25; or
- The annual increase in poverty students to the student enrollment multiplied by .25.

After this calculation has been completed, the amount may be decreased or increased.

- The amount will be decreased by an amount equal to the amount the total non-property-tax revenue for the current year exceeds the total non-property tax revenue for the prior year.
- The amount will be increased by an amount equal to the amount by which the total non-property tax revenue for the prior year exceeds the total non-property tax revenue for the current year.

Non-property tax revenue is the revenue of a school district from all revenue sources other than property taxes, except revenue for special education reimbursements for programs and support services.

LB986 provides two mechanisms to exceed its property tax request authority. It appears each mechanism is only available for a one-year override to the property tax request authority.

- The school board may ask for a special election. If 60% or more of the legal voters approve the recommendation of the school board, the school district may exceed its property tax request authority.
  - The ballot for the special election shall include the amount of the increase over and above the property tax request authority.
- The property tax request authority may be exceeded by a percentage approved by an affirmative vote of at least 75% of the school board.
- The amount of this percentage increase is based on the average daily membership (ADM) of the school district.
  - 7% for schools with an ADM of no more than 471 students;
  - 6% for schools with an ADM greater than 471 and no more than 3,444 students;
  - 5% for schools with an ADM greater than 3,444 but no more than 10,000 students;
  - 4% for schools with an ADM of more than 10,000 students.

A school district that chooses not to increase its property tax request for the full amount of its property tax request authority may carry forward the amount of unused property tax request authority into future budget years. Unused property tax request authority will be calculated by the NDE and provided to the school district.

The NDE will prepare the documents for school districts to submit to the NDE to use in calculating the property tax request authority and unused property tax request authority. Any school district that fails to submit the documents to the NDE by September 20 of each year will have its TEEOSA aid withheld until the school district comes into compliance with the Act. The TEEOSA Aid shall revert to the General Fund if the school district that does not come into compliance with the Act within a 6-month period.

The NDE may adopt and promulgate rule and regulations to carry out the provisions of this Act.

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**Explanation of amendments:**

The Amendment changes the following:

Section 2 (3)

P. 2., line 11-Insert "average annual" before "percentage"

P. 2., line 13-delete "twelve" and insert "thirty-six"

\*(Purpose is take an average of CPI, to minimize impact of a 1 or 2 year aberration)

New Section 2 (3) would then read: "Base growth percentage means the greater of (a) two and one-half percent or (b) the average annual percentage increase in the Consumer Price Index for All Urban Consumers, as prepared by the United States Department of Labor, Bureau of Labor Statistics, for the thirty-six month period ending on June 30 of the year in which the property tax request is made;

Section 2 (5)

P. 2., line 17-after "all" insert "state and local"

P. 2., line 18-delete "revenue" through "except" in line 19, and insert "does not include"

P.2., line 20-delete semi-colon, and insert ", and does not include grants and donations"

\*(Purpose of this is to ignore fluctuations in federal revenue, state grants, or donations)

New Section 2 (5) would then read: "Non-property tax revenue means revenue of a school district from all state and local sources other than real and personal property taxes. Non-property-tax revenue does not include reimbursements for special education programs and support services pursuant to sections 79-1129, 79-1132, and 79-1144, and does not include grants and donations."

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Lou Ann Linehan, Chairperson