**Talking Points for LB 408 (AM 371)**

*Find out where your Senator stands on LB 408 and report back to NASB.*

*Learn how it impacts your district and share that story with your peers, your Senator, and the other political subdivisions within your community.*

*Take the lead on how it will impact your community as a whole, not just your district.*

*Like anything, this bill is a moving target, stay up to speed as it moves through the process.*

**LB 408 (AM371)** The committee amendments provide two methods to exceed the revenue cap: 1) by vote of the governing body with certain restrictions; or 2) by resolution by the governing body and a subsequent vote of the electorate of the political subdivision. The limit applies to property tax requests set in 2022 through 2027. Property tax requests set in 2028 and thereafter will not be subject to the cap.

The first method to exceed the cap, requires a majority vote of the governing body. The governing body may exceed the cap no more than two consecutive years at which time the political subdivision’s “property tax request” would be reduced in subsequent years to ensure the increase in the property tax request does not exceed 9% over a three year period.

The three-year period would be measured using the year in which the political subdivision exceeds the cap as the first year of the period. If the political subdivision votes to exceed the limit for two consecutive years, the three-year period would be “measured twice using each of the two consecutive years as the first year of the applicable three-year period.

The second method to exceed the revenue cap is by resolution of the governing body followed by a vote of the electorate of the political subdivision at a primary, general, or special election. The resolution approved by the governing body must include the amount that would be requested in excess of the cap.

**Exceptions**

The cap would not apply to that portion of a political subdivision’s property tax request that is needed to pay the principal and interest on approved bonds. Nor would it apply to that portion of a political subdivision’s property tax request that is derived from the “real growth value” for the political subdivision.

The measure defines “real growth value” as the increase in real property valuation due to (a) improvements to real property as a result of new construction and additions to existing buildings, (b) any other improvements to real property that increase the value of the property, and (c) annexation of property by the political subdivision.

**Unused Budget Authority**

The committee amendments provide that a political subdivision may choose not to increase its property tax request by the full amount allowed. In such cases, the political subdivision may carry forward one-half of the unused request authority to future years as carryover request authority. The carryover request authority may then be used in later years to increase the political subdivision’s property tax request above the cap.

**Budget Hearing**

As advanced, the measure would amend the Nebraska Budget Act and require a political subdivision, during its budget hearing, to include information demonstrating that the political subdivision is in compliance with the Property Tax Request Act.

[**LR 22CA**](https://www.nebraskalegislature.gov/bills/view_bill.php?DocumentID=43731) **and** [**LB 408**](https://www.nebraskalegislature.gov/bills/view_bill.php?DocumentID=43864) **— two measures that propose a 3% cap on property tax revenue growth — could have harmful impacts on local governments and undermine the principle of local control.**

* LR 22CA would amend the constitution while LB 408 would create a statutory cap.
* Both exclude bonds and growth due to new construction, improvements and annexation from the cap.
* Both would allow local governments to exceed the cap by a vote of the people.

**A 3% cap on property tax revenue growth would undermine local control by hindering the authority of locally elected officials to make revenue decisions.**

* The proposals would cap local governments **—** including schools, cities, counties, NRD’s, etc. **—** property tax revenue over the prior year at 3%.
* Local officials are held accountable by their constituents and often have a better understanding of local needs and desires than do state legislators (excepting, perhaps, their own).
* LR 22CA/LB 408 would limit this local control and hinder their ability to respond to things like natural disasters and replace needed equipment, like a school bus for a school district, for example.

**These proposals will likely lead to an increase in other more regressive taxes.**

* Some towns and cities may recover lost revenues by increasing local option sales taxes, occupation taxes or fees and fines, which would all fall disproportionately on those least able to afford to pay more.
* These options may help avoid service cuts but would shift the tax load increasingly on to low- and middle-income Nebraskans.
* Any city already fully utilizing local option sales taxes could end up in a situation where their revenue is going to be squeezed, possibly well below 3% growth.

**Many localities would see their total revenue growth fall well below 3% per year.**

* The impact of the cap on other political subdivisions will differ depending on their mix of revenue streams.
* Community colleges, for example, rely on property taxes, state aid and tuition. So if property taxes are capped at 3% and state aid is flat, they would be forced to raise tuition to even get to 2% or 3% spending growth.
* Take Millard Public Schools as another example. From FY17 to FY18, they experienced a 12% increase in property tax revenue, a 15.5% decrease in state aid, and a 1.5% decrease in total revenue.
* With LR 22CA or LB 408 in place, however, Millard would have only been able to increase property taxes by 3%, but they still would have lost 15.5% in state aid for a total revenue decrease of 5%.

**The proposals would likely force local subdivisions to levy at 3% property tax growth every year if they have the ability to do so, even if they otherwise didn’t need the bump in revenue.**

* Local governments’ revenue needs can be volatile and vary greatly from year to year, depending on local needs.
* LR 22CA/LB 408 would likely result in local governments levying the full 3% in allowed growth every year even if they don’t have an immediate need for the funds in order to build up reserves in case a big expense is needed.
* As a result, property tax rates may never decrease.

**The proposals would have wildly different effects on localities based on revenue composition: most would have lost revenue overall had this proposal been in place for the past several years, while some would have gained revenue if they chose to levy at 3% property tax growth every year.**

* An analysis of 32 school district from FY17 to FY18 highlighted these disparate results, even just among school districts:
* LR 22CA / LB 408 ranged from a *loss* of $7.76 million in Millard to a *gain* of $0.9 million in Humboldt-Table Rock-Steinauer (assuming they increased their property tax ask to 3% over FY17).
* School districts ranged from losing 40.2% of total receipts in Springfield-Platteview to gaining 12.7% of total receipts in Humboldt-Table Rock-Steinauer.