

Political Subdivision Budgets – Frequently Asked Questions

These frequently asked questions are provided to assist Nebraska political subdivisions by answering common questions that may arise while preparing/completing their budget. The answers contained within are intended to be consistent with relevant State statutes, as they existed on the last updated date.

Political subdivisions should consult with their legal counsel on all matters involving the legal interpretation of the State statutes.

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General Questions:

- **Does my subdivision need to file a budget?**

If your political subdivision asks for property taxes or receives State Aid as defined in section [13-518](#), you are required to complete the budget forms.

If your political subdivision will not have a property tax request or receive State Aid, you only need to complete the Budget Waiver form to satisfy the budget filing requirement. If your political subdivision is not involved in any Interlocal Agreements, please mark “No” on the Budget Waiver Form. If your political subdivision is involved in Interlocal Agreements, you must also file the Interlocal Agreement report with our office by September 30th.

You are also still required to meet the audit or audit waiver requirement.

- **When and where do I file my budget?**

When: Budgets need to be postmarked on or before September 30th each year (section [13-508](#)).

Where: Budgets are filed with the Auditor of Public Accounts and the County Board (c/o County Clerk). School Districts also must submit their budget to the Nebraska Department of Education. For our office (the Auditor of Public Accounts) there are two ways to file your budget; however, please only submit your budget by one of these methods:

Mail – Submit a paper copy of your budget including any attachments necessary that are securely stapled together to: PO Box 98917 – Lincoln, NE 68509-8917.

Submit Online – From our website (auditors.nebraska.gov) select "SUBMIT your Audit or Budget" from the left side of the screen and follow the steps. You can upload up to three PDF files that contain your budget along with any attachments.

Budgets submitted through the website will receive a confirmation of receipt. Our office will not provide a confirmation of receipt for budgets submitted through the mail. We encourage budgets be submitted through the website whenever possible.

- **When do County Assessors certify valuations?**

County Assessors must certify valuations on or before August 20th each year (section [13-509](#)).

- **When will the updated budget forms be available on the State Auditor’s website?**

Our office strives to make the new budget forms available as soon as possible. We must wait until the legislative session has concluded each year to ensure no LB’s were passed that require changes to the budget forms. You can typically expect the updated forms to be made available during the month of June each year.

Budget Document Questions:

- **Do donations and other non-tax monies need to be included in the budget?**

Yes. The Nebraska Budget Act requires the reporting of public funds, which means all money, including non-tax money, used in the operation and functions of political subdivisions (section [13-503\(7\)](#)).

- **Why does the County Treasurer's balance have to be included in the beginning balance?**

Section [13-504\(2\)](#) requires any funds held by the County Treasurer to be included in the budget.

- **How do you add the County Treasurer's balance and still have beginning and ending balances agree?**

You must determine the amount held at the County Treasurer's office at the end of the fiscal year and then include that as receipts for that fiscal year. This will then increase the ending balance and then you include as part of your beginning balance for the next fiscal year. Also, please refer to the Budget Form Instruction Manual.

- **As a Municipality, when would I use the Summary of Proprietary Function Funds page?**

The Summary of Proprietary Function Funds page should only be used if the municipality files a separate budget for proprietary functions as allowed by the Municipal Proprietary Function Act.

- **I found a calculation error in my budget after it was adopted. Now what do I do?**

If it has been less than 30 days since the budget was adopted (section [13-511](#)):

If the total amount budgeted changes by less than 1% and the property taxes do not increase, you can correct the forms and submit a new version to the Auditor, and County Clerk. You are not required to hold a hearing or publish the change. If total amount budgeted changes by more than 1% or property taxes increase, you need to follow procedures to amend the budget.

If it has been more than 30 days since the budget was adopted:

You must follow the procedures of amending the budget that are found in section [13-511](#). This includes holding a hearing, publication and then filing the new forms with the State Auditor, and County Clerk.

- **The County Assessor changed the certified valuation after the budget and tax request was adopted. Do I need to do anything?**

You will first need to determine if the updated valuation causes the levy for your political subdivision to exceed the levy limits for your type of political subdivision. Please refer to the levy limit form included in the Budget Document for levy limits applicable to your type of political subdivision. For those entities that use the General Budget Form, your levy must be within the levy authority granted to you by the County or City under section [77-3443](#), or the authority obtained directly from the voters through an election or townhall meeting under section [77-3444](#).

The change causes the levy to exceed the levy limit:

The budget will need to be amended to reduce the property tax request so that the levy limit is not exceeded. Hearing and publication will depend on if it has been less than 30 days after adoption and if total amount budgeted changes by less than 1%.

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The change causes the levy to be reduced, or raises the levy, but is still within the levy limit:

The County Board is responsible to set the levy based on the property tax request amount and the valuation, so a change to the valuation will change the levy set, but will not change the amount collected in taxes. Therefore, the budget will not need to be amended.

- **The budget forms are not working. What is the password to unprotect the workbook?**

Our office cannot provide the password in any circumstances to ensure the forms remain consistent and accurate for all political subdivisions across the State. If you think there is an issue, please contact our office.

- **Can your office just complete the budget forms for me?**

No, unfortunately we are not able to complete the budget forms for political subdivisions. However, we are available to assist with answering any questions that may arise during the budget process.

Hearing and Notice Questions:

- **Does my political subdivision need to hold a special hearing to set the tax request?**

Please refer to section [77-1632](#).

Political subdivisions that have a levy limit (Counties, Municipalities, Schools, Learning Community, ESUs, NRDs, SIDs, and Community Colleges) must hold this hearing. This hearing can be done on the same day as the budget hearing and we have included a combination hearing notice in the budget packets that can be used.

Political subdivisions that must request levy allocation from a county or municipality (Fire Districts, Townships, Agricultural Societies, Airport Authorities, etc.) do not have to hold this hearing.

- **What are the options for giving notice for the budget hearing?**

This notice must be published in a newspaper of general circulation. The notice must be published at least four days prior to the date of the hearing (section [13-506](#)). This means the day of publication can be included in the four days, but the day of the hearing cannot be included. If the notice is published, you must submit a copy of the affidavit of publication from the printer when submitting your budget.

If your political subdivision's total budget of disbursements and transfers does not exceed \$10,000, you also have the option to post notice at the governing body's principal headquarters to satisfy this requirement. The ability to mail notices to each resident is no longer allowed. Notices can only be published or posted.

- **What changes to the budget hearing are required due to LB 148?**

The following new requirements for the budget hearing were implemented by LB 148:

- The budget hearing must be held separately from regularly scheduled meetings and cannot be limited by time. Nothing indicates the budget hearing cannot be held the same day as a meeting, the budget hearing just cannot be limited by time.
- At least three copies of the proposed budget must be available to the public.
- A presentation must be given outlining the key provisions of the proposed budget, including, but not limited to, a comparison with the prior year's budget.
- Any member of the public desiring to speak of the proposed budget must be allowed to address the governing body and given a reasonable amount of time to do so.
- The methods and dates of meeting notices must be recorded in the meeting minutes.

- **Can the budget be adopted at the budget hearing, or does it have to be adopted at a separate meeting?**

Our office is of the opinion that the budget **cannot** be adopted at the budget hearing. Section [13-506\(1\)](#), as amended by [LB 148 \(2020\)](#), provides the following, in relevant part, regarding the budget hearing:

Each governing body shall each year or biennial period conduct a public hearing on its proposed budget statement. Such hearing shall be held separately from any regularly scheduled meeting of the governing body and shall not be limited by time. . . . After such hearing, the proposed budget statement shall be adopted, or amended and adopted as amended, and a written record shall be kept of such hearing. . . .

Therefore, each political subdivision is required to hold a budget hearing each year, and another separate and distinct meeting, **after the budget hearing**, to adopt the budget and take any other action necessary by the governing board. The budget **cannot** be adopted at the budget hearing, or prior to the budget hearing.

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The Sample Notice of Budget Hearing and Budget Summary included in the budget forms is **only for the Budget Hearing**. Each political subdivision must also provide separate public notice, maintain an agenda, and follow all requirements of the Open Meetings Act for the separate meeting to adopt the budget and any other action necessary by the governing board.

If the governing board would like to hold this separate meeting immediately following the conclusion of the budget hearing, it is recommended that language similar to the following is included in the public notice for that other meeting, regarding the time this separate meeting will start:

The regular board meeting of the _____ will commence immediately upon adjournment of the preceding budget hearing, which will begin at _____ .m on _____, 20xx, and continue until all attendee testimony has concluded.

- **What needs to happen if the budget adopted is different from the published budget?**

If the adopted budget reflects a change from what was published, a notice of the summary of changes must be made within twenty (20) days after its adoption setting forth the items changed and the reasons for such changes (section [13-506](#)). No public hearing is required if the summary of changes is published within twenty (20) days.

If a summary of changes is not provided within 20 days, the budget has not been legally adopted. The governing body must conduct another budget hearing, giving proper notice, and re-adopt its budget.

- **How do you amend a previously adopted budget during the fiscal year?**

Political subdivisions can amend their previously adopted budget during the fiscal year if unanticipated circumstances arise. Some of the most common reasons for amending a budget are issuance of bonds, refunding of bonds, or being awarded a grant. By law, the total budget of disbursements and transfers cannot be exceeded. Keep in mind it is not possible to change the amount of property taxes after the levies are finalized. Section [13-511](#) specifies the requirements necessary to amend the budget. A public hearing must be held with notice given at least four days in advance of the hearing. The four calendar days includes the day of publication, but not the day of hearing. It also includes weekends. The notice must include the following:

- The time and place of the hearing.
- The amount in dollars of additional or reduced money required and its purpose.
- A statement setting forth the nature of the unanticipated circumstances and, if the budget is increased, why the previously adopted budget cannot be reduced during the remainder of the year.
- A copy of the summary of the originally adopted budget previously published.
- A copy of the revised budget as adopted must be filed with the County Board and the Auditor of Public Accounts.

Instructions for amending a budget and sample forms are available on our website (https://auditors.nebraska.gov/Budget_Info.html).

- **My notice did not get printed, now what do I do?**

If for some reason your notice does not get printed, you are still required to publish and hold another hearing. The four-day rule still applies. If there is not time to publish and hold a meeting prior to the September 30 deadline, your budget will be late and you need to submit as soon as possible. We recommend scheduling the budget hearing and publishing notice earlier rather than later to give your subdivision extra time should this situation arise.

Joint Public Hearing, Postcard, Allowable Growth Questions

- **Who does the allowable growth provision of the Property Tax Request Act apply to? Does it apply to Villages?**

The allowable growth provisions of the Property Tax Request Act apply to Counties, Cities, and School Districts. It does NOT apply to Villages.

- **Who “runs” or is in charge of the Joint Public Hearing?**

The County Clerk, or designee, is responsible for organizing the joint public hearing ([section 77-1633\(3\)\(e\)](#)).

- **Is each political subdivision required to attend the Joint Public Hearing required to publish notice in the newspaper?**

No. The County Clerk is responsible for publishing notice in the newspaper for the Joint Public Hearing in their County.

- **Do I have to hold three hearings now?**

No. All political subdivisions must hold the budget hearing required by section 13-506. Villages, ESUs, NRDs, SIDs, Community Colleges, and Learning Community must hold their own Special Hearing to set the Final Tax Request required by section 77-1632. Cities, Counties, and School Districts will hold either:

- 1) Special Hearing to Set Final Tax Request (if property tax request is not over the Property Tax Request Act’s allowable growth percentage);
- 2) **OR;** attend the Joint Public Hearing in the County where the political subdivision’s principal headquarters are located (if property tax request exceeds the allowable growth percentage).

- **What happens if my political subdivision’s property tax request on the final adopted budget is different than the property tax request that was provided to the County by September 4th?**

If your political subdivision notified the County Assessor by September 4th that you were planning to exceed the allowable growth percentage and were included on the postcard and attended the joint public hearing, the final property tax request on the adopted budget is not required to be the same as the amount provided to the County Assessor by September 4th. It could be more, or less.

If your political subdivision **did not** notify the County Assessor by September 4th that you were planning to exceed the allowable growth percentage and **were not** included on the postcard and **did not** attend the joint public hearing, the final property tax request on the adopted budget **must be within the allowable growth percentage.**

Lid on Restricted Funds:

The following answers apply to all political subdivisions except for Counties, Cities, Villages, and School Districts. School Districts should refer to the Budget Instructions for Schools. Counties, Cities and Villages should refer to the next section regarding the Property Tax Growth Limitation Act.

- **What does the lid on restricted funds mean to my political subdivision?**

The biggest misconception about the lid on restricted funds is that the lid is on disbursements. There is no lid on disbursements. The lid on restricted funds limits the amount of restricted funds that can be generated by the political subdivisions during the budget year. Therefore, the amounts included on the Lid Supporting Schedule under Calculation of Restricted Funds must agree to the amounts you are budgeting to receive for each of the restricted funds.

- **What are “Restricted Funds”?**

Section [13-518\(6\)](#) defines what type of receipts are included under the label restricted funds. The primary component of restricted funds is property taxes. Other types of receipts included in the definition of restricted funds include state aid, motor vehicle pro-rate, in-lieu of taxes, local option sales taxes, motor vehicle taxes, and transfers of surplus fees. Please refer to section [13-518\(6\)](#) and the Lid Supporting Schedule in the budget forms for a complete listing of all types of receipts that are included in the definition of restricted funds.

- **What does it mean when the Governing Board approves the additional 1% increase in restricted funds authority each year?**

The biggest misconception is that the approval of the additional 1% increase in restricted funds authority means the Board is approving increasing the political subdivision’s actual property tax request by 1%. This increase is to the political subdivision’s authority, not the actual tax request. By approving the additional 1%, the Governing Board is only increasing their authority to generate additional restricted funds, not actually increasing the property tax request.

- **What does my political subdivision’s unused restricted funds authority amount represent?**

The Unused Restricted Funds Authority amount represents the amount of additional restricted funds that could have been generated by your political subdivision, while still staying within your authority.

- **Should my political subdivision take every lid exception possible to make our unused restricted funds authority amount as large as possible?**

The decision regarding what lid exceptions should be taken must be made by the governing board. Just because your political subdivision is entitled to an exception, you are not required to include it on the Lid Supporting Schedule as an exception. You are only required to list the exceptions needed to stay within your Restricted Funds Authority.

Another important item to consider when determining what lid exceptions are taken is that if an exception for capital improvements is taken, but not spent, the amount not spent must be included as a restricted fund in the following year’s budget. Our office cautions political subdivisions from using the capital improvement exception if they do not need it to stay within their authority, or if there is a possibility the money will not be spent on capital improvements during the budget year.

- **Can Bond Payments be used as an exception to the lid on restricted funds?**

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Yes, but the payments must be made with a restricted fund such as property tax or State Aid. In other words, you must be using one of the restricted funds included on the top half of the Lid Supporting Schedule, to pay for the exceptions listed on the bottom half of the Lid Supporting Schedule.

As an example, if a municipality is using water fees to make the payments, then those payments are not an exception because user fees are not a restricted fund. But, if property taxes are needed to make the payments, then that could be an exception.

- **Can capital improvements that were used as a lid exception but not spent during the fiscal year be used again as a lid exception the next budget year?**

No, because you have collected the funds and the money is in the beginning balance and no longer a part of the lid on restricted funds. You must remember that you can only use exceptions if you are using restricted funds to pay for those exceptions.

- **For newly created political subdivisions, or the first year SID's and CID's are subject to the Lid on Restricted Funds, what is the beginning restricted funds authority?**

The Lid on Restricted Funds limits the amount a political subdivision can generate in restricted funds from year to year. For the first year a political subdivision is subject to the Lid on Restricted Funds, the beginning authority should be the total restricted funds included in the first budget that is subject to the lid. In subsequent years, the political subdivision will be limited to the allowable increases.

- **When are newly created SID's and CID's subject to the Lid on Restricted Funds?**

Section [13-518\(4\)](#) exempts SID's and CID's that have been in existence for five years or less. So, the Lid on Restricted Funds will apply beginning with the sixth complete year the SID or CID has been in existence, which would also be the sixth budget completed.

For example, if the SID was formed on March 15, 2020, the first budget completed by the SID that would include restricted funds and a tax request would be for fiscal year 2020-2021. Fiscal year 2020-2021 through fiscal year 2024-2025 would be exempt from the Lid on Restricted Funds. The Lid on Restricted Funds would apply beginning with the fiscal year 2025-2026 budget.

- **What is the maximum bonded indebtedness exception my political subdivision can take?**

The bonded indebtedness exception is limited to the larger of your tax request for bonds, or the amount budgeted to be spent on bond principal and interest payments during the year. If you are budgeting to spend more on debt service payments than your tax request for bonds, you must be able to support what restricted funds will be used to make up the amount over your tax request for bonds. Remember, you can only take an exception to the Lid, if restricted funds, as defined in section [13-518](#), will be used to pay for those exceptions.

- **What is the maximum interlocal agreement exception my political subdivision can take?**

The maximum Interlocal Agreement Exception allowed is the amount of restricted funds budgeted to be spent to support each interlocal agreement. If you are not using a restricted fund, as defined in section [13-518](#), to pay for the Interlocal Agreement, you cannot take an exception.

For example, a County and City have an interlocal agreement for the operation of a dispatch center. The City operates the dispatch center, and the County provides funding each year to support the operation of the dispatch center. You must first determine what the City's costs are for providing dispatch services to out of town residents.

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If the total budgeted cost for providing dispatching services to out of town residents during the year was \$200,000, and the agreement states the County will pay \$75,000 to the City, the County could take an interlocal agreement exception for up to \$75,000 and the City could take an interlocal agreement exception for up to \$125,000, assuming restricted funds will be used to pay for these costs. The City would not be able to take an interlocal agreement exception for the full \$200,000 because a portion of the costs will be paid for by the County. The money received from the County is not included in the definition of restricted funds, and therefore cannot be used as an exception. Interlocal Agreements must be between governmental entities. The exception taken for each individual interlocal agreement must be detailed out on the Interlocal Agreement Report. The total on the Interlocal Agreement Report must agree to the amount taken as an interlocal agreement exception on the Lid Supporting Schedule.

- **I cannot control the amount my political subdivision receives for several of the restricted funds identified on the Lid Supporting Schedule. Why do they need to be included?**

Section [13-518\(6\)](#) defines the type of receipts that are included under the label restricted funds. All receipts meeting that definition must be included as a restricted fund on the Lid Supporting Schedule. The original intent of including the other types of receipts in the definition of restricted funds, rather than just property taxes, was to require political subdivisions to reduce the amount of their property tax request, if they were expecting to receive additional sources of income from one of the other restricted funds.

For example, if a City implements a new sales tax, and expects to generate an additional \$50,000 per year from that sales tax, assuming all other variables remain the same, and the City has zero unused restricted funds authority, the City would be forced to reduce their property tax request by \$50,000 to stay within their restricted funds authority.

- **What is the process of obtaining additional restricted funds authority?**

Please refer to section [13-519](#). Options to obtain additional restricted funds authority include:

- 1) An additional 1% increase can be approved by affirmative vote of at least seventy-five percent of the governing body. The 75% approval is of those board members present at the meeting.
- 2) Approval obtained directly from the voters at a special election. The ballot language must include the amount and percentage by which the governing body is seeking to increase its restricted funds authority over and above the current year's restricted funds authority.
- 3) Approval obtained directly from the voters at a townhall meeting. Additional authority obtained at a townhall meeting is only applicable for one year. Option 2 on the Lid Computation Form must be used in the subsequent year to remove the additional authority obtained at a townhall meeting. Notice of the townhall meeting must be published in a newspaper at least 20 days prior to the townhall meeting. At least 10% of the registered voters residing in the governmental unit must be present to constitute a quorum. A record of the action taken at the townhall meeting must be forwarded to the Auditor of Public Accounts along with the budget documents.

Property Tax Growth Limitation Act (commonly referred to as the “Property Tax Cap”) – *only applies to Counties, Cities, and Villages*

- **Which types of political subdivisions does the new “Property Tax Cap” apply to?**

Counties, Cities, and Villages only. According to [Neb. Rev. Stat. § 13-3402](#), the definition of political subdivision for purposes of the Property Tax Growth Limitation Act includes any county, city or village.

- **What exactly does the “Property Tax Cap” cap?**

The limitations imposed by the Property Tax Growth Limitation Act only limit the amount of property taxes that can be requested and included in the budget for a county, city or village. Unlike the Lid on Restricted Funds applicable to other types of governments, the cap does not limit the amount of other types of revenues that can be generated. The Property Tax Growth Limitation Act establishes each political subdivision’s “Property Tax Request Authority” for each year, which represents the maximum amount of property taxes that can be included and requested in that year’s budget.

- **What do “exceptions” represent?**

Exceptions to the property tax cap can be found in [Neb. Rev. Stat. § 13-3404](#) and represent additional options available to increase your Property Tax Request Authority each year. Exceptions include: 1) Additional increases approved by the voters as provided in [Neb. Rev. Stat. § 13-3405](#); 2) use of unused authority from prior years; and 3) property taxes budgeted for specific purposes. If property taxes are budgeted for and needed to pay for the specific options identified in this statute, that amount can be added to the subdivision’s property tax request authority for that year. In other words, property taxes needed to pay for those items are not limited by the property tax cap. Because the property tax cap only applies to property taxes, the political subdivision must be using property taxes to pay for these items. If the political subdivision is using some other revenue source besides property taxes, that would not qualify as an exception because that money is not subject to the cap in the first place.

For example, one of the allowed exceptions is for property taxes budgeted for public safety services. If we assume a County operates a dispatch center, and budgets for expenditures of \$200,000 per year to operate the dispatch center, the County must determine how much of that \$200,000 budget will be paid for with property taxes. That amount would qualify as a public safety exception.

As a further example, if the County determines \$150,000 will be paid with property taxes, and the remaining \$50,000 will be paid for with 911 Surcharge revenue, only the \$150,000 property tax amount would qualify as an exception.

- **Am I required to “utilize” all exceptions my government is eligible for?**

No. You are only required to utilize exceptions (ie. put a number on the Property Tax Request Authority Computation Form) if needed to be within your Property Tax Request Authority. If your property tax request is already within your authority without utilizing any exceptions, you are not required to go back and add exceptions to the form. It is likely there will be additional exceptions you are eligible to utilize each year above the minimum amount required to stay within your authority.

Remember, if you do utilize exceptions this year, even if they are not technically needed to stay within your authority, those amounts must be subtracted in the subsequent year. Additionally, exceptions utilized in the prior year for bonds and emergencies also have to be subtracted from prior year property taxes levied when calculating the subsequent year’s growth and inflation increases.

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- **Do property taxes budgeted for roads/streets qualify for the public safety exception?**

It is the APA's position that property taxes budgeted for roads/streets **do not** qualify for the public safety exception. Pursuant to Neb. Rev. Stat. [§ 13-3404\(6\)](#), the definition of "public safety" used for this purpose is found in [Neb. Rev. Stat. § 13-320](#) which provides, *...public safety services means crime prevention, offender detention, and firefighter, police, medical, ambulance, or other emergency services.*

- **Can I utilize the emergency response exception to request additional property taxes to build cash reserves for possible future emergencies?**

No. Neb. Rev. Stat. [§ 13-3404](#) states the exception is only allowed for property taxes needed to respond to an emergency declared in the preceding year, as certified to the auditor.

- **What are the consequences if my property tax request is above my Property Tax Request Authority?**

You are in violation of State law. Neb. Rev. Stat. § 13-3407 requires the Auditor of Public Accounts to notify the political subdivision and the State Treasurer of the noncompliance. The State Treasurer is then required to suspend distribution of State Aid allocated to the political subdivision until the political subdivision complies. The withheld funds will be held for six months. If compliance is reached within six months, the withheld funds will be distributed to the political subdivision. If compliance is not reached within six months, the withheld funds will be forfeited and redistributed to other recipients of state aid.