

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to additional information

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		See Below		See Below

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 33 amends Nebraska Statute Section 77-201 to provide that agricultural land and horticultural land shall be valued at 70 percent of actual value. The current valuation percentage is set at 75 percent.

The bill also amends Section 77-5023 dealing with acceptable ranges for valuation, to change the acceptable range for agricultural land and horticultural land and land receiving special valuation from the current 69 to 75 percent to 64 to 70 percent of actual value.

Section 79-1016, dealing with state aid value, is amended to change the percentage for agricultural land and horticultural land from the current 72 percent to 67 percent.

LB 33 may have some fiscal impact to the state in terms of increased state equalization aid to school districts. If a school district is equalized for aid purposes, lower valuations would result in an increase in state aid.

The Department of Education indicates that the change in assessment may provide equalized school districts with increased equalization aid by lowering the yield from the local effort rate component of formula resources. For those school districts, property taxes may decrease. This change would require additional state monies to fund TEEOSA state aid to schools in its current form; however the Department did not place a specific dollar amount on the change.

The Department of Revenue indicates that LB 33 will have an effect on state aid programs that have property valuation as part of the calculation. For aid programs with fixed appropriations, the calculated aid could shift between the various governmental entities within each aid program. For those programs, such as TEEOSA and the County Aid program, this bill will change the resource calculation.

The Department of Revenue also estimates there may be costs to the General Fund to implement the bill but the cost is indeterminate.

There is no basis to disagree with either the Department of Revenue or the Department of Education on their analysis.

A Fiscal Office analysis of the affect on TEEOSA indicates an increase in aid of approximately \$15.9 million in FY13-14. This assumes, given the bill's operative date of January 1, 2012, the use of 2012 valuation for purposes of determining FY13-14 state aid.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Education indicates that equalized school districts with agricultural and horticultural land may see an increase in TEEOSA state aid to schools and a decrease in property taxes. School districts that are non-equalized may qualify for equalization aid when the adjusted valuation of agricultural and horticultural land is reduced to 67 percent of its actual value. In those school districts, property taxes may decrease.

In order to keep local funding at the same level, school districts would need to increase their tax levy to compensate for the decrease in agricultural and horticultural land valuation. During the 2010/11 school year, 63 schools had a general fund levy equal to or greater than \$1.03999.

The Nebraska Association of County Officials (NACO) indicates that a reduction in the percentage of total value at which agricultural and horticultural land is valued for purposes of property taxation will most likely result in reduced revenue to counties. Obviously this reduction will be more prevalent in those counties with a large number of agricultural and horticultural acres. Those counties without a significant number of agricultural and horticultural acres will not be as adversely affected. NACO is unable to place a dollar amount on the reduction at this time.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Heaton, Eash, Scheideler	DATE	1/20/11	PHONE	471-2526
COMMENTS					
<p>DEPARTMENT OF EDUCATION: Lowering the assessment percentage for agricultural and horticultural land from 75 percent to 70 percent of actual value would increase the level of state General Funds required to fund K-12 school aid under the Tax Equity and Educational Opportunity Support Act (TEEOSA) formula. Based on the current TEEOSA distribution to public school districts in FY 2010-11, a 5 percent reduction in agricultural land valuation is estimated to have increased General Fund TEEOSA Aid by approximately \$15,500,000 in FY 2010-11. The ongoing annual fiscal impact would increase as agricultural land values appreciate. Since LB 33 would not be operative until calendar year 2012, the fiscal impact on K-12 State Aid would begin in FY 2013-14.</p>					
<p>NACO: Concur. The bill could result in a loss of property tax revenue for certain counties assuming levies do not change.</p>					

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LB 33 FISCAL NOTE

2011

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: NDE/School Finance & Organization Services

Prepared by: Inbody, Bergquist, Eret

Date Prepared: 1/13/2011

Phone: 1-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0	0	0	0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This bill would assess agricultural and horticultural land at 70 percent of its actual value. The current assessment is 75 percent of actual value. The acceptable range for assessing agricultural and horticultural would be 64 percent to 70 percent. The current acceptable range is 69 percent to 75 percent.

This bill would also change the calculation of adjusted valuation of agricultural and horticultural valuation used in the calculation of the Tax Equity and Educational Opportunities Support Act (TEEOSA) to 67 percent of the actual valuation. The current adjustment is 72 percent of actual valuation.

The change to the assessment of agricultural and horticultural land may provide equalized school districts with increased equalization aid by lowering the yield from local effort rate component of formula resources. For those school districts, property taxes may decrease.

MAJOR OBJECTS OF EXPENDITURES

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-12	2012-13
	11-12	12-13	EXPENDITURES	EXPENDITURES
Benefit				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL			0	0

Fiscal Impact:

To the State of Nebraska: This change would require additional state monies to fund TEEOSA state aid to schools in its current form. A specific dollar amount of this change is unknown at this time.

To NDE: There would be no fiscal impact to NDE.

To Political Subdivision: Equalized school districts with agricultural and horticultural land may see an increase in TEEOSA state aid to schools and a decrease in property taxes. School districts that are non-equalized may qualify for Equalization Aid when the adjusted valuation of agricultural and horticultural land is reduced to 67 percent of its actual value. In those school districts, property taxes may decrease.

In order to keep local funding at the same level, school districts would need to increase their tax levy to compensate for the decrease in agricultural and horticultural valuation. During the 2010/11 school year, 63 schools had a General Fund levy equal to or greater than \$1.03999 (source: 2010/11 Certified Taxes Levied).

A specific dollar amount may not be calculated by NDE at this time without an adjusted valuation file showing the 67 percent adjusted valuation amount from the Property Taxation and Assessment Division of the Department of Revenue.

