

Updated for 2020 session and includes any adopted amendments

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$339,200		\$196,200	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$339,200		\$196,200	

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

LB 483 amends provisions related to agricultural and horticultural land valuation and creates the Agricultural Land Valuation Board (ALVB).

The bill provides that agricultural and horticultural land and land receiving special valuation must be valued for purposes of property taxation at its agricultural productivity value. The agricultural productivity value is to be determined by the following:

- Dividing agricultural and horticultural land into five major use categories (as listed in Section 7 of the bill) and dividing such categories into subclasses based on soil productivity classifications;
- Computing a net revenue based on an eight-year Olympic average of annual net incomes where the one-year high and one-year low are discarded; and
- Dividing the net revenue by a discount rate determined by the ALVB.

Agricultural and horticultural land is to be divided into the following five major categories: Irrigated cropland; Dryland cropland; Irrigated grassland; Non-irrigated grassland; and Wasteland.

The Department of Revenue Property Assessment Division must, subject to the direction and oversight of the ALVB, calculate, for irrigated and dryland cropland:

- A county-wide eight-year Olympic average production in bushels per acre with one-year highs and one-year lows discarded;
- The county-wide acre weighted averaged of the Natural Resources Conservation Service index for acres in each category;
- The net revenue per acre;
- The landlord share of revenue (35%);
- A capitalized net earning value equal to the landlord share divided by the discount rate; and
- The capitalized net earning value converted from dollars/acre to dollars/index point.

The Department of Revenue Property Assessment Division must, subject to the direction and oversight of the ALVB, calculate, for non-irrigated grassland:

- The rental rate for grazing in dollars/animal unit month;
- The production capability; and
- A capitalized net earning value converted from dollars/animal unit month to dollars/index point.

The calculations for irrigated and dryland cropland and non-irrigated grassland must be reported to the ALVB for inclusion in the agricultural land valuation manual developed by the board.

The ALVB must set separate discount rates for each county, based on each county's eight-year Olympic average of annual precipitation, and deviation from total agricultural productivity value from the prior year cannot exceed 15%.

The bill creates the eight-member ALVB, six of whom must be appointed by the Governor and approved by the Legislature. The Tax Commissioner and Director of Agriculture serve as the remaining two members. Members must be reimbursed for actual and necessary expenses and compensated at \$500 per meeting, not to exceed \$6,000 per year, except that members can be compensated up to \$24,000 in 2019. Initial appointment must be made by the Governor prior to June 1, 2019.

The ALVB must develop and approve a land valuation manual to be used by county assessors, approve data sources used in developing the manual, set county discount rates, submit an annual report to the Governor regarding whether the manual was properly

applied, make recommendations to the Revenue Committee of the Legislature, and participate in a public hearing with the Tax Commissioner and Property Tax Administrator on each updated version of the manual. The initial version of the manual must be completed by December 31, 2019, and the ALVB must vote to update the manual by November 30 each year thereafter.

LB 483 amends the Tax Equalization and Review Commission Act to limit the commission's authority to equalize assess value of property to commercial and residential property. The bill specifies the adjusted value for agricultural and horticultural land purposes of the Tax Equity and Educational Opportunities Support Act (TEEOSA) is the agricultural productivity value.

The bill contains the emergency clause. For purposes of this estimate, we assume that the dates pertaining to the ALVB will be changed to the following year.

The Nebraska Association of County Officials estimates the fiscal impact is unknown, but could result in a reduction in valuation of agricultural and horticultural property.

A change in the property tax base will have an impact on TEEOSA state aid, but it is not possible to estimate the amount.

The Department of Revenue estimates the following administrative costs:

- Expenditures for 2.0 FTE Tax Specialists on an ongoing basis and 0.5 FTE IT Infrastructure Support Analyst for one year for a total cost of \$219,200 in FY 20-21 and \$166,200 in FY 21-22; and
- Expenses and compensation for members of the ALVB of \$120,000 in FY 20-21 and \$30,000 each year thereafter.

The University of Nebraska estimates nominal cost to provide information to and participate on the ALVB.

There is no basis to disagree with the estimates of cost from the Department of Revenue or University of Nebraska.

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 11/27/2019			
Approved by: Tony Fulton		Phone: 471-5896			
Date Prepared: 11/1/2019					
FY 2020-2021		FY 2021-2022		FY 2022-2023	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	\$ 339,200	\$ 196,200		\$ 200,100	
Cash Funds					
Federal Funds					
Other Funds					
Total Funds	\$ 339,200	\$ 196,200		\$ 200,100	

LB 483 provides that agricultural productivity value of agricultural land and horticultural land is to be determined using the land’s capitalized net earnings capacity. Capitalized net earning capacity is to be developed by the Agricultural Land Valuation Board (ALVB). Capitalized net earning capacity is to be determined by:

- 1) Dividing agricultural and horticultural land into major use categories then dividing each category into subclasses based on soil productivity classification,
- 2) Computing revenue based on an Olympic average of annual net income, and
- 3) Dividing net revenue by a discount rate.

LB 483 specifies five major categories of agricultural and horticultural land to be irrigated cropland, dryland cropland, irrigated grassland, non-irrigated grassland, and wasteland- - which would be further divided into subclasses based on soil productivity classifications. There will be special categories for intensive agricultural uses, such as nurseries, feedlots, and orchards.

The bill directs the property assessment division (PAD) to make a number of calculations and determinations for irrigated and dryland cropland:

- 1) An eight-year Olympic average production in bushels per acre for each county,
- 2) The county-wide acre weighted average of acres in each category,
- 3) The net revenue per acre for each category using an appropriate commodity price,
- 4) The landlords share (35%) of net revenue,
- 5) The capitalized net earning value calculated by dividing landlord share per acre by the discount rate,
- 6) The conversion of capitalized net earning value from dollars/acre to dollars/index point, and
- 7) Report the calculations to ALVB.

The bill directs PAD to make a number of calculations and determinations for non-irrigated grassland:

- 1) Calculate the rental rate for grazing in dollar/animal unit month,
- 2) Determine the production capability,
- 3) Calculate a capitalized net earning value,
- 4) Convert capitalized net earning value from dollar/animal unit month to dollar/index point, and
- 5) Report the calculations to ALVB.

LB 483 authorizes the ALVB to set separate discount rates for each county, to be set according to each county’s eight-year Olympic average of annual precipitation, and limits any deviation from total agricultural productivity value from the prior year to no more than 15%.

The bill establishes the ALVB, an eight member board appointed by the Governor, to include a person involved in livestock production; a person involved in agricultural crop production; a person from a farm advocacy organization; a person with a county assessor certificate, a person from the Department of Agricultural Economics of the University of Nebraska-Lincoln; a person from a commodity check-off board, the Tax Commissioner, and the Director of Agriculture. The Director of Agriculture will be the chairperson. ALV Board members would be reimbursed for their actual and necessary expenses, and compensated at \$500 per ALV Board meeting, not to exceed \$6,000 per year and per member, except in 2020, (which would be \$24,000 in that year). Appointments

to the ALV Board would be made no later than June 1, 2020; thereafter, appointments to the board will be made by December 1 of the relevant year. The appointed members serve four-year terms, except that the initial members appointed serve until December 1, 2022, and the remaining members serve until December 1, 2024. The ALVB is to meet at least twice annually or more often at the call of the chairperson or at the call of a majority of the board members.

The duties of the ALV Board would be to: (1) develop an agricultural land valuation manual (Manual) to be used in determining the agricultural productivity value of agricultural land and horticultural land; (2) select and approve by majority vote the data sources to be used in developing the Manual; (3) set the discount rates; (4) make a written report to the Governor each year stating whether the Manual was properly applied; (5) make recommendations to the Revenue Committee of the Legislature as to the improvements or refinements in the methods used for valuing agricultural land and horticultural land; and (6) participate in a public hearing with the Tax Commissioner and Property Tax Administrator for each updated version of the Manual.

The initial version of the Manual will be created by December 31, 2020, and must be updated November 30 of each succeeding year. The Manual must be provided to county assessors on an annual basis.

This bill also provides that county boards may only correct errors in characteristics affecting the productivity use of agricultural land, and that agricultural land protests of such characteristics must be made on a form prescribed by the Tax Commissioner. It provides that the Tax Equalization and Review Commission may only consider residential and commercial classes of real property during statewide equalization.

This bill carries the emergency clause.

This bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

LB 483 requires the ALVB to develop, publish, and maintain an agricultural land valuation manual. To perform this function, the Department estimates the need for two FTE Tax Specialists and a ½ FTE IT Infrastructure Support Analyst Senior for one year to implement the bill. Assuming 24 meetings in fiscal year 2020-21 and six meetings per year thereafter, expenses and compensation for members of the ALVB are estimated to be \$120,000 in the first year and \$30,000 per year thereafter.

Major Objects of Expenditure

Class Code	Classification Title	20-21	21-22	22-23	20-21	21-22	22-23
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A07073	IT Infrastructure Support Analyst/Senior	0.5	0.0	0.0	\$ 30,400	\$ 0	\$ 0
A29622	Revenue Tax Specialist Senior	2.0	2.0	2.0	\$ 126,900	\$ 125,000	\$ 127,900
	Benefits.....				\$ 51,900	\$ 41,200	\$ 42,200
	Operating Costs.....				\$ 120,000	\$ 30,000	\$ 30,000
	Travel.....						
	Capital Outlay.....				\$ 10,000	\$ 0	\$ 0
	Capital Improvements.....						
	Total.....				\$ 339,200	\$ 196,200	\$ 200,100

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2020

LB⁽¹⁾ 483 2020 Pre Session Update

FISCAL NOTE

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

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ November 2 2019 Phone: ⁽⁵⁾ 402-472-7109

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Our original fiscal note, "The bill creates the Agricultural Land Valuation Board. The University is required to provide certain information to, and participate on, the Board. There is only nominal fiscal impact to the University", remains the same.

AM 973 is pending, but does not appear to change the fiscal impact to the University.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2020

LB⁽¹⁾ 483

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 11/21/2019 Phone: ⁽⁵⁾ (402) 434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 483 would base agricultural and horticultural land upon its agricultural productivity value rather than 75% of its value. The fiscal impact to counties is unknown; the valuation will be dependent upon two factors within the Committee’s control: the income for each category of agricultural and horticultural land, and the capitalization rate for each category. Assuming that the capitalization rate is derived from the market, the 15% restriction on the deviation of total productivity value in the state from one year to the next could hold agricultural values lower than 75% of market value. If the capitalization is not derived or only partially derived from the market, the overall valuation of agricultural and horticultural land is likely to decline. A lower valuation would result in a reduced tax base for counties or potentially a shift to commercial and residential properties. Eventually, if not immediately, this impact would necessitate higher tax levies. If the special valuation of agricultural land and horticultural land is its production value, there is no longer any need for special valuation.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____