

PREPARED BY: Sandy Sostad
 DATE PREPARED: January 26, 2011
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LB 440

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2011-12 | | FY 2012-13 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | \$3,100,000 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | \$3,100,000 | |

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

LB 440 changes the valuation of agricultural and horticultural land for purposes of the calculation of state aid to schools (Tax Equity and Educational Opportunities Support Act). Currently, the value of agricultural and horticultural land for state aid purposes is 72% of actual value. The bill decreases the value used in the formula by 1% each year beginning with state aid calculated for FY2012-13 until the value reaches 62% for FY2021-22 and thereafter.

A decrease in the value of land used in the calculation of state aid decreases formula resources for school districts with agricultural and horticultural land. A decrease in formula resources increases the amount of state aid allocated to schools as equalization aid. The fiscal impact of a 1% change in value of agricultural land is a projected \$3.1 million increase in state aid for FY2012-13.

In the tenth year, FY2021-22, the 10% reduction in the value of the land is projected to increase state aid by \$3.4 million. The amount increases because some districts become equalized as resources are reduced. The ten year fiscal impact of the bill is an additional annual \$32.8 million of general funds for state aid. The projections do not take into account any inflationary increases in land value or other components of the formula which will occur during the time period.

DEPARTMENT OF ADMINISTRATIVE SERVICES

| | | | |
|-------------|--------------------|--------------|----------------|
| REVIEWED BY | William Scheideler | DATE 1/31/11 | PHONE 471-2526 |
|-------------|--------------------|--------------|----------------|

COMMENTS

DEPT. OF EDUCATION - Based on the adjusted valuation used in the Tax Equity and Educational Opportunity Support Act (TEEOSA) School Aid formula for FY2010-11, reducing the percentage of agricultural and horticultural land by one percent would increase the level of state General Funds required to fund K-12 school aid by \$3.3 million in the first year (i.e., FY2012-13). As the following table indicates, as the scheduled reductions in adjusted valuation for agricultural and horticultural land occur over the ten-year period the fiscal impact will compound to nearly \$34 million per year in FY2021-22.

| General Fund TEEOSA Increase* | | |
|--------------------------------------|------------------|---------------------------|
| <i>Year</i> | <i>(million)</i> | <i>Ag Valuation Level</i> |
| FY2012-13 | | 71% |
| | 3.3 | |
| FY2013-14 | | 70% |
| | 6.5 | |
| FY2014-15 | | 69% |
| | 9.8 | |
| FY2015-16 | | 68% |
| | 13.1 | |
| FY2016-17 | | 67% |
| | 16.5 | |
| FY2017-18 | | 66% |
| | 19.9 | |
| FY2018-19 | | 65% |
| | 23.3 | |

LB 440

DAS Analyst Comments, Continued

| | | |
|--------------------|--------------|-----|
| FY2019-20 | | 64% |
| | 26.8 | |
| FY2020-21 | | 63% |
| | 30.2 | |
| FY2021-22 | | 62% |
| | 33.7 | |
| 10-Yr Total | 183.2 | |

The ongoing annual fiscal impact will of course increase as agricultural land appreciates. However, these estimates do not factor in any assumption with respect to the ongoing appreciation of agricultural and horticultural land.

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LB 440 FISCAL NOTE

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

Prepared by: Inbody, Bergquist, Eret Date Prepared: 1-26-2011 Phone: 1-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2011-12</u> | | <u>FY 2012-13</u> | |
|---------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

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

Explanation of Estimate:

This bill would reduce the percentage of adjusted valuation used in the calculation of Tax Equity and Educational Opportunities Support Act (TEEOSA state aid to schools). The percentage of adjusted valuation in 2012/13 will be 71 percent. This percentage will drop by 1 percentage point through school fiscal year 2021/22. For school fiscal years 2021/22 and each school fiscal year thereafter, the percentage of adjusted valuation will be 62 percent. The current percentage of adjusted valuation is 72 percent.

The bill contains the Emergency Clause.

MAJOR OBJECTS OF EXPENDITURES

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2011-12</u> | <u>2012-13</u> |
|----------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>11-12</u> | <u>12-13</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefit | _____ | _____ | _____ | _____ |
| Operating | _____ | _____ | _____ | _____ |
| Travel | _____ | _____ | _____ | _____ |
| Capital outlay | _____ | _____ | _____ | _____ |
| Aid | _____ | _____ | _____ | _____ |
| Capital improvements | _____ | _____ | _____ | _____ |
| TOTAL | _____ | _____ | <u>0</u> | <u>0</u> |

Fiscal Impact:

To NDE: There would be no fiscal impact to the Department of Education.

To Political Subdivision: The fiscal impact to school districts is not known at this time. 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. The number of equalized districts may increase. For school districts that do not receive equalization aid (non-equalized school districts) the change in the assessment of agricultural and horticultural land may create an increase in property taxes.

In order to keep local funding at the same level, school districts may need to increase their tax levy to compensate for the decrease in agricultural and horticultural valuation. During the 2010/11 school year, approximately 60 school districts had a General Fund levy equal to or greater than \$1.05 (source: 2010/11 Certified Taxes Levied). Of these 60 school districts, some may be non-equalized, some may have a levy override, and NDE does not know the percentage of agricultural and horticultural valuation to these school districts' total valuation.

A specific dollar amount may not be calculated by NDE at this time without adjusted valuation files illustrating the range of 71 to 62 percent adjusted valuation amounts from the Property Taxation and Assessment Division of the Department of Revenue.