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PREPARED BY: Sandy Sostad
DATE PREPARED: February 28, 2011
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LB 439

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 | | | \$33,000,000 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | \$33,000,000 | |

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

LB 439 provides that agricultural and horticultural land will be valued at 65% for school district taxation purposes. Currently, this land is valued at 75% for school district taxation purposes. The bill changes the acceptable range of taxation of agricultural and horticultural land by school districts to be from 59% to 65% of actual value rather than 69% to 75%.

The bill also changes the value of agricultural and horticultural land for state aid purposes (TEEOSA) from 72% to 62%. The operative date of the act is January 1, 2012.

TEEOSA Impact: A decrease in the value of agricultural land from 72% to 62%, for state aid purposes, increases state aid to schools by an estimated \$33 million, based upon 2010 valuations. The increase in state aid will occur beginning in FY2012-13.

Property Taxes: Using 2010 valuations and the statewide average tax levy of \$1.00 for agricultural land, the decline in the taxable value of agricultural and horticultural land reduces property taxes statewide by about \$52 million. Increased TEEOSA aid will cover about \$33 million of the revenue lost by school districts pursuant to the bill. Assuming no change in school spending, then about \$19 million of decreased property tax revenue from agricultural land will need to be replaced with increased levies on other types of property as well as increased levies on agricultural land.

Department of Revenue Impact: The Department of Revenue indicates that using a different certified assessed value for school districts than assessed value for other political subdivisions will increase the analysis required by the department of school districts for presentations to TERC. The department estimates the need for 2.0 FTE at an estimated general fund cost of \$147,700 in FY2011-12 and \$139,400 in FY2012-13. This fiscal note assumes that existing staff in the department can implement the bill, assuming that the value of agricultural and horticultural land is 75% for aid programs other than TEEOSA.

Technical Note: Although it is not stated in the bill and appears to be unclear, it is assumed that agricultural and horticultural land will be valued at 75% for aid programs, other than TEEOSA.

DEPARTMENT OF ADMINISTRATIVE SERVICES

| REVIEWED BY | William Scheideler | DATE | 3/2/11 | PHONE | 471-2526 |
|---|--------------------|------|--------|-------|----------|
| COMMENTS | | | | | |
| DEPARTMENT OF EDUCATION: Generally concur with the Department of Education's description of LB 439's impact. | | | | | |
| To estimate the impact of lowering agricultural & horticultural land valuations by 10% on the General Fund aid requirements for the Tax Equity and Educational Opportunity Support Act (TEEOSA), a model was developed based on the current school year's TEEOSA formula need and resources (including the agricultural & horticultural land resource component) of each school district. If LB 439 had been in effect for the FY2010-11 TEEOSA aid year, reducing the valuation of agricultural & horticultural land by 10 percent would have increased the required level of state General Funds for K-12 school aid by \$33.7 million. | | | | | |
| DEPARTMENT OF REVENUE: According to the Department of Revenue, LB 439 would require an entirely separate real property valuation analysis to be performed at the school district boundary level, which is currently not being done. There would be a need for additional staff time to perform this analysis for every school district. There is no basis to disagree with Revenue's estimate. | | | | | |

LB 439 FISCAL NOTE

RECEIVED
JAN 27 2011

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

| | 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 change the assessed valuation of agricultural and horticultural land for school districts to 65 percent of its actual value. All other political subdivisions would tax on the current assessed value of 75 percent of actual value. The adjusted value for Tax Equity Educational Opportunities Support Act (TEEOSA state aid to schools) would be 62 percent of actual value. The current adjusted value is 72 percent of actual value.

This bill has an operative date of January 1, 2012 (school fiscal year 2012-13).

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 |

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

To Political Subdivision: 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. This change may increase the number of equalized school districts. 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 tax rates.

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 an adjusted valuation file showing the 65 percent adjusted valuation amount from the Property Taxation and Assessment Division of the Department of Revenue.

