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PREPARED BY: Sandy Sostad
 DATE PREPARED: February 06, 2012
 PHONE: 471-0054

LB 1061

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1061 changes the value of agricultural and horticultural land for school district taxation purposes. Currently, this land is valued at 75% for school district taxation purposes. The bill decreases the percentage by 2% beginning in tax year 2013 and each year thereafter until it reaches 65% in 2017. The bill also phases in a change in 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 phases in a 2% per year change in the value of agricultural and horticultural land for state aid purposes (TEEOSA) from 72% to 62% over the five year period from 2013 to 2017. The operative date of the act is January 1, 2013.

TEEOSA Impact: Based upon 2011 valuations a decrease in the value of agricultural land for state aid purposes, increases state aid to schools by an estimated \$5.4 million in FY2014-15. The chart below shows the cumulative increase until the state aid change is fully implemented in FY2018-19.

Valuation Year	State Aid Year	Taxation %	State Aid %	Aid Change Per 2% (million)	Aid Change Cumulative (million)
2012	2013-14	75%	72%		
2013	2014-15	73%	70%	\$5.4	\$5.4
2014	2015-16	71%	68%	\$5.7	\$11.1
2015	2016-17	69%	66%	\$6.0	\$17.1
2016	2017-18	67%	64%	\$6.4	\$23.5
2017	2018-19	65%	62%	\$6.6	\$30.1

Property Taxes: Using 2011 valuations and the statewide average tax levy of \$.99 for agricultural land, the decline in the taxable value of agricultural and horticultural land reduces property taxes statewide by about \$57 million when the changes in the tax rates are fully implemented in FY2018-19. Increased TEEOSA aid will cover about \$30 million of the revenue lost by school districts pursuant to the bill. Assuming no change in school spending, then about \$27 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. It is possible an increase in property tax levies may also trigger an unknown increase in TEEOSA aid due to a decline in the minimum levy adjustment component of the formula.

County Impact: The Department of Revenue indicates the bill may result in the county issuing two valuation change notices and two tax statements, one for school districts and another for other political subdivisions. The fiscal impact for counties is unknown and depends upon how the county implements the changes.

Continued

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Matthew Eash	DATE 1/26/12	PHONE 471-2526
<p>COMMENTS</p> <p>NEBRASKA DEPARTMENT OF EDUCATION: <u>Impact to School District Levies</u> – Any reduction in the assessed valuations of agricultural and horticultural land will result in some loss in revenue capacity for school districts, relative to their forecasted revenues.</p> <p>If LB 1061's schedule of decreasing assessment rates for agricultural and horticultural land were applied to the tax data most recently available for 2011, then it appears that each 2% drop in assessed valuation would result in approximately \$1.2 billion decrease in school districts' tax base statewide. The full 10% reduction (by 2017) would represent a permanent statewide decrease of approximately 0.75% in total statewide school adjusted valuation.</p> <p><u>Impact to TEEOSA</u> – If LB 1061's schedule of decreasing school adjusted valuations (from 72% to 62%) were applied to the tax data most recently available for TEEOSA School Aid Year 2012-13, it appears that each 2% drop in school adjusted valuation would result in 4-6 non-equalized school districts becoming equalized and an average \$6 million increase in TEEOSA State Aid.</p> <p><u>Impact to NDE</u>: Concur that there would be no fiscal impact to NDE's operating budget.</p>			

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LEGISLATIVE FISCAL

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LB⁽¹⁾ 1061 FISCAL NOTE

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

Prepared by: (3) Bergquist, Eret Date Prepared: (4) January 24, 2012 Phone: (5) 402-471-0526

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

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

Explanation of Estimate:

LB 1061 appears to decrease the taxable value of agricultural and horticultural land for the purposes of school district taxation. Currently, school district taxation for agricultural and horticultural land is set at seventy-five percent of value. LB 1061 sets a schedule of decreasing the school district taxation value of agricultural and horticultural land beginning at seventy-three percent of value in tax year 2013. The school district taxation value of agricultural and horticultural land decreases each subsequent year by an additional two percent until 2017 at which time it levels off at sixty-five percent.

If agricultural and horticultural land continues the current trend of increasing in value, school district levies may remain stable at 2011/12 levels if LB 1061 is passed. However, if agricultural and horticultural land begins to level off or decline, school district levies may have increase in order to maintain a similar amount of local support through property taxes.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013 EXPENDITURES	2013-2014 EXPENDITURES
	12-13	13-14		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

LB⁽¹⁾ 1061 FISCAL NOTE (continued)

Fiscal Impact:

To NDE: There would be no fiscal impact on the department and reducing the adjusted valuation component of State Aid may result in additional state dollars to fund Equalization Aid.

To School Districts: It may increase the amount of property taxes required for schools with high proportions of agricultural and horticultural land to its total valuation. It may also increase the amount of Equalization Aid for school districts that have a high proportion of agricultural and horticultural land.

Since there are many unknown variables, it is not possible to project a dollar amount of the fiscal impact of this bill.

State Agency Estimate **LEGISLATIVE FISCAL**

State Agency Name: Department of Revenue		Date Due LFA: 10/26/2012			
Approved by: Douglas Ewald		Phone: 471-5700			
Date Prepared:					
FY 2012-2013		FY 2013-2014		FY 2014-2015	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds					
Cash Funds					
Federal Funds					
Other Funds					
Total Funds					

LB1061 requires agricultural and horticultural land for school district purposes to be assessed at 73% of its actual value for 2013, and decline each year thereafter until it reaches 65% of its actual value for 2017, and each year thereafter. All other political subdivisions in the tax district where the agricultural and horticultural land is located will continue to be assessed at 75% of actual value.

The acceptable level of value percentage ranges for agricultural and horticultural land for school districts would be 67% to 73% of actual value for 2013, and declining each year thereafter until it reaches 59% to 65% of actual value beginning in 2017. The acceptable level of value percentage range for all other political subdivisions in the tax district where the agricultural and horticultural land is located will continue to be 69% to 75% of actual value.

For purposes of state aid to schools the aid value (adjusted value) for agricultural and horticultural land would be 70% for 2013 and will continue to decline until it reaches 62% for 2017 and each year thereafter.

LB 1061 may result in the county issuing two valuation change notices and two tax statements each year. One notice and statement would be for the school district, while the second notice and statement would be for all the other political subdivisions in the tax district. This is because each parcel will have a different assessed valuation for the school district compared to the other political subdivisions in the tax district.

LB 1061 will not have a revenue impact on state revenue. The Department will have minimal costs to implement the bill.

Class Code	Classification Title	Major Objects of Expenditure					
		12-13 FTE	13-14 FTE	14-15 FTE	12-13 Expenditures	13-14 Expenditures	14-15 Expenditures
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							