

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 101 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 2014 and each year thereafter until it reaches 65% in 2018. 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 2014 to 2018. The operative date of the act is January 1, 2014.

**TEEOSA Impact:** Based upon 2012 valuations a decrease in the value of agricultural land for state aid purposes, increases state aid to schools by an estimated \$5.6 million in FY2015-16. The chart below shows the cumulative increase until the state aid change is fully implemented in FY2019-20.

Valuation Year	State Aid Year	Taxation %	State Aid %	Aid Change Per 2% (million)	Aid Change Cumulative (million)
2013	2014-15	75%	72%		
2014	2015-16	73%	70%	\$5.6	\$5.6
2015	2016-17	71%	68%	\$5.7	\$11.3
2016	2017-18	69%	66%	\$5.8	\$17.1
2017	2018-19	67%	64%	\$6.0	\$23.1
2018	2019-20	65%	62%	\$6.4	\$29.5

**Property Taxes:** Using 2012 valuations and the statewide average tax levy of \$1.01 for agricultural land, the decline in the taxable value of agricultural and horticultural land reduces property taxes statewide by about \$66.6 million when the changes in the tax rates are fully implemented in 2018. Increased TEEOSA aid will cover about \$29.5 million of the revenue lost by school districts pursuant to the bill. Assuming no change in school spending, then about \$37.1 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.

**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.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 101	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Matthew Eash	DATE: 2/26/2013	PHONE: <a href="tel:402-471-4175">402-471-4175</a>
<p>COMMENTS: 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. If LB 101's 5-year schedule of decreasing assessment rates for agricultural and horticultural land were applied to the tax data most recently available in 2012, then it appears that every 2% annual drop in valuation would result in a statewide increase to TEEOSA Aid by an average \$6.2 million, beginning in FY 2015-16. This impact would compound annually for five years, resulting in a cumulative increase (FY 2015-16 through FY 2019-20) of \$91.0 million over current estimates for this period. Under this scenario (and using 2012 tax levies adjusted for reduced ag/hort valuations), it appears that for every \$1.00 decrease to schools' property tax collections statewide, there would be a corresponding increase of \$0.47 in TEEOSA State Aid. This gap in funding would be mitigated either by reduced school spending or increased tax levy rates. If a school were already taxing at the statutory limit of \$1.05, then any tax increase would require a popular vote of district residents.</p> <p>LB 101 would create no fiscal impact to any state agency's operations.</p>		



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**2013**

**LB<sup>(1)</sup> 101 FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Association of County Officials

Prepared by: <sup>(3)</sup> Elaine Menzel Date Prepared: <sup>(4)</sup> 1/14/2013 Phone: <sup>(5)</sup> 402.434.5660, ext. 225

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

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

Passage of LB 101 would result in utilizing a different formula for school land valuation. This would necessitate an increase in the analysis of such property for county assessors. Additionally, the reduction in the valuation of agricultural and horticultural land would likely result in a decline in the dollars available to political subdivisions, such as counties, to levy or it would necessitate an increase in taxes on other types of property if services were to remain status quo. The fiscal impact is undetermined.

**MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____

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**2013**

**LB<sup>(1)</sup> 101 FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> NDE/School Finance & Organization Services

Prepared by: <sup>(3)</sup> Inbody, Bergquist Date Prepared: <sup>(4)</sup> 1-15-2013 Phone: <sup>(5)</sup> 1-4320

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
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:

This bill would provide for school district taxation purposes only, agricultural and horticultural land would be valued at a percentage of its actual value. The current percentage is 75% and the proposed percentage changes are:

<b>Tax Year</b>	<b>Percentage</b>
2014	73
2015	71
2016	69
2017	67
2018 and after	65

**MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-2014 EXPENDITURES</u>	<u>2014-2015 EXPENDITURES</u>
	<u>13-14</u>	<u>14-15</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

The acceptable percentage range for determining value, for school district taxation purposes only, are also provided in the bill. The bill also provides the percentages that will be used for determining adjusted valuation for State Aid purposes. The current range is 69% to 75% and the proposed ranges are:

<b>Tax Year</b>	<b>Percentage Range</b>
2014	67 to 73
2015	65 to 71
2016	63 to 69
2017	61 to 67
2018 and after	59 to 65

This bill attempts to reduce the amount of property taxes generated by owners of agricultural and horticultural land. A school district with a high proportion of agricultural and horticultural land to its total valuation may see an increase in its total tax levy to generate the amount of property taxes for the general operation and maintenance of a school district.

Reducing the adjusted valuation component of State Aid (TEEOSA) may result in additional state dollars to fund Equalization Aid.

The bill has an operative date of January 1, 2014.

**Fiscal Impact:**

To the State of Nebraska: Reducing the adjusted valuation component of State Aid (TEEOSA) may result in additional state dollars to fund Equalization Aid. Since there are many unknown variables, it is not possible to project a dollar amount of the fiscal impact of this bill to the State of Nebraska.

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

To Political Subdivisions: It may increase the tax levies for schools with high proportions of agricultural and horticultural land to its total valuation. Equalization Aid may increase for schools with high proportions of agricultural and horticultural land to its total valuation. Since there are many unknown variables, it is not possible to project a dollar amount of the fiscal impact of this bill for school districts.