

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

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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.					