PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs February 14, 2017 402-471-0051

LB 266

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)					
	FY 201	17-18	FY 20	18-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS		See Below		See Below	
CASH FUNDS					
FEDERAL FUNDS					
OTHER FUNDS					
TOTAL FUNDS		See Below		See Below	

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

LB 266 changes the valuation of agricultural and horticultural real property for school district taxation and for calculating state aid under the Tax Equity and Educational Opportunity Support Act (TEEOSA).

For purposes of school district taxation, agricultural and horticultural land shall be valued as a percentage of actual value as follows:

<u>Tax Year:</u>	<u>Percentage</u>
2018	50%
2019	40%
2020 and after	30%

The bill also changes the acceptable range for agricultural and horticultural land as a percentage of actual value as follows:

Tax Year:	<u>Percentage:</u>
2018	44% to 50%
2019	34% to 40%
2020 and after	24% to 30%

LB 266 amends Section 79-1016 to change the definition of state aid value for agricultural and horticultural land as a percentage of actual value to the following:

Tax Year:	Percentage	
2018	47%	
2019	37%	
2020	27%	

The Department of Revenue noted that the provisions of LB 266 could result in the county issuing two valuation notices and two tax statements each year. One notice and statement for the school district and the second notice and statement for all other political subdivisions. Each agricultural or horticultural parcel will have a different assessed valuation for the school district compared to the other political subdivisions.

The bill has an operative date of January 1, 2018.

The Department of Revenue estimates that LB 266 will have no fiscal impact on General Fund revenues and that the cost to implement LB 266 will be minimal.

We agree with the Department of Revenue's estimate of fiscal impact to General Fund revenues and cost.

We estimate the following increase in General Fund expenditures as state aid under TEEOSA as a result of LB 266:

FY2017-18: 0 FY2018-19: \$ 0 FY2019-20: \$ 77,837,199 \$ 129,849,792 FY2020-21: FY2021-22: \$ 202,396,088

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials (NACO) indicates the LB 266 the fiscal impact of the bill is indeterminate but significant software changes may be necessitated if land is valued at different levels for school district purposes.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES					
LB: 266 AM: AGENCY/POLT. SUB: Department of Revenue					
REVIEWED BY: James Van Bruggen DATE: 2/13/17 PHONE: (402) 471-4179					
COMMENTS: Agree with the Department of Revenue's statement of minimal fiscal impact to their agency.					

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES				
LB: 266	AM:	AGENCY/POLT. SUB: Department of Education		
REVIEWED BY: James Van Bruggen DATE: 1/25/17 PHONE: (402) 471-4179				
COMMENTS: LB 266 would create a different agricultural property valuation for school districts than what would be used for other local political entities. LB 266 would decrease agricultural value for school districts an estimated \$30.7 billion in FY				

2018-19, \$44.7 billion in FY 2019-20, \$58.7 billion in FY 2020-21, and \$72.7 billion in FY 2021-22.

LB 266 Fiscal Note 2017

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFA:							
Approved by: Tony Fulton		Date Prep	ared:			Phone: 471-5896	
	FY 2017	7-2018		FY 201	8-2019	FY 2019	9-2020
	Expenditures	Revenue	Ex	<u>penditures</u>	Revenue	Expenditures	Revenue
General Funds							
Cash Funds							
Federal Funds							
Other Funds							
Total Funds							

LB 266 changes the percentage of assessment of agricultural and horticultural land for school district taxation purposes. It also changes the equalized value of agricultural and horticultural land for calculating state aid under TEEOSA.

A percentage of assessed value for agricultural and horticultural land for school district purposes is determined according to a decreasing schedule starting at 50% of assessed value for tax year 2018, 40% for tax year 2019, and 30% of assessed value for tax years 2020 and after.

The acceptable level of value for agricultural and horticultural land will remain at 69 to 75% of actual value, except for school district purposes, where the acceptable level of value will be 44 to 50% for tax year 2018, 34 to 40% for tax year 2019, and 24 to 30% for tax years 2020 and after.

State aid value for agricultural and horticultural land is determined according to a decreasing schedule starting at 47% of assessed value for tax year 2018, 37% for tax year 2019, and 27% of assessed value for tax years 2020 and after.

LB 266 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.

This bill will have an effect on TEEOSA, which will have a corresponding impact on General Fund expenditures.

This bill has an operative date of January 1, 2018.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be minimal costs to the Department to implement this bill.

Major Objects of Expenditure							
Class Code	Classification Title	17-18 <u>FTE</u>	18-19 <u>FTE</u>	19-20 <u>FTE</u>	17-18 Expenditures	18-19 Expenditures	19-20 Expenditures
Benefits	Benefits						
Travel	Travel						
Aid							
Total	ts						

LB ⁽¹⁾ 266				FISCAL NOTE
State Agency OR Po	litical Subdivision Name: (2)	Dept of Educati	on	
Prepared by: (3)	Bryce Wilson	Date Prepared: (4)	1/13/17 Phone: (5	402-417-4320
	ESTIMATE PROVIDED	BY STATE AGENO	CY OR POLITICAL SUBDIVISI	ION
	FY 201	7_1 8	FY 201	Q_10
	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	REVENUE
GENERAL FUNDS	S			
CASH FUNDS				
FEDERAL FUNDS			<u> </u>	
OTHER FUNDS			<u> </u>	
TOTAL FUNDS			·	

Explanation of Estimate:

Under current law, agricultural and horticultural land is valued at 75% of its actual value for taxing purposes.

LB 266 stipulates that, for purposes of school district taxation, agricultural/horticultural land and special value land valuation would decrease to 50% in 2018 and decrease an additional 10% in 2019 and 2020 when the percentage would level off at 30% of actual value in 2020 and continue at 30% thereafter. The table below illustrates that percentage decrease.

Tax Y	'ear	_	Percentage
2018			50
2019			40
2020	and	after	30

LB 266 stipulates the acceptable range for school district taxation decreases each year from 2018-2020 (table below) would be less than the current acceptable range of 69%-75% used for taxing by other public entities and would decrease at a 10% rate each year until 2020:

Tax Year	Percentage Range
2018	44 to 50
2019	34 to 40
2020 and after	24 to 30

State Aid Value: The bill modifies current provisions of TEEOSA and how they apply to agricultural/horticultural land. Under current law, state aid value for agricultural/horticultural land is 72% of actual value. Under LB 178, the state aid value applicable to both agricultural/horticultural land is as follows:

Tax :	Year		Percentage
2018			47
2019			37
2020	and	after	27

This bill would decrease the amount of resources recognized in each district with Ag/Horticultural land resulting in an increase in TEEOSA aid but not until the 2019/20 school year. The amount cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:				
	NUMBER OF POSITION		2017-18	2018-19
POSITION TITLE	<u>17-18</u>	<u>18-19</u>	EXPENDITURES	EXPENDITURES
Benefits				
Operating			=	
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL				

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LB (1)	266						FISCAL NOTE			
State Agency OR Political Subdivision Name: (2)			Nebraska	Nebraska Association of County Officials (NACO)						
Prepared by: (3) Elaine Menzel			Date Pr	epared: (4)	1/17/2017	Phone: (5)	402.434.5660			
		ESTIMATE PRO	VIDED BY STA	ΓE AGENC	Y OR POLITICA	L SUBDIVISIO)N			
			FY 2017-18			<u>FY 2018</u> EXPENDITURES				
GENER	RAL FUN		<u>KE</u>	VENUE	EXI ENDI	<u>r CRES</u>	<u>REVENUE</u>			
CASH I										
										
	AL FUNI									
	R FUNDS									
TOTAI	L FUNDS									
Explana	ation of E	stimate:								
maybe	necessi	tated if land is valued a								
Persona	al Services		OWN BY MAJO	R OBJECT	S OF EXPENDIT	<u>URE</u>				
	POSIT	ION TITLE	NUMBER OF I 17-18	POSITIONS 18-19	5 2017- EXPENDI'		2018-19 EXPENDITURES			
Benefits	s									
Operati	ing									
Travel.										
Capital	outlay									
Aid										
Capital	improven	nents								
TO	TAL									