

Doug Gibbs January 21, 2011 471-0051

Revision: 01 FISCAL NOT

Revised due to additional information

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *						
	FY 201	11-12	FY 2012-13			
	EXPENDITURES	REVENUE	EXPENDITURES REVENUE			
GENERAL FUNDS		See Below		See Below		
CASH FUNDS						
FEDERAL FUNDS						
OTHER FUNDS						
TOTAL FUNDS		See Below		See Below		

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

LB 33 amends Nebraska Statute Section 77-201 to provide that agricultural land and horticultural land shall be valued at 70 percent of actual value. The current valuation percentage is set at 75 percent.

The bill also amends Section 77-5023 dealing with acceptable ranges for valuation, to change the acceptable range for agricultural land and horticultural land and land receiving special valuation from the current 69 to 75 percent to 64 to 70 percent of actual value.

Section 79-1016, dealing with state aid value, is amended to change the percentage for agricultural land and horticultural land from the current 72 percent to 67 percent.

LB 33 may have some fiscal impact to the state in terms of increased state equalization aid to school districts. If a school district is equalized for aid purposes, lower valuations would result in an increase in state aid.

The Department of Education indicates that the change in assessment may provide equalized school districts with increased equalization aid by lowering the yield from the local effort rate component of formula resources. For those school districts, property taxes may decrease. This change would require additional state monies to fund TEEOSA state aid to schools in its current form; however the Department did not place a specific dollar amount on the change.

The Department of Revenue indicates that LB 33 will have an effect on state aid programs that have property valuation as part of the calculation. For aid programs with fixed appropriations, the calculated aid could shift between the various governmental entities within each aid program. For those programs, such as TEEOSA and the County Aid program, this bill will change the resource calculation.

The Department of Revenue also estimates there may be costs to the General Fund to implement the bill but the cost is indeterminate.

There is no basis to disagree with either the Department of Revenue or the Department of Education on their analysis.

A Fiscal Office analysis of the affect on TEEOSA indicates an increase in aid of approximately \$15.9 million in FY13-14. This assumes, given the bill's operative date of January 1, 2012, the use of 2012 valuation for purposes of determining FY13-14 state aid.

IMPACT TO POLITICAL SUBDIVISIONS:

The Department of Education indicates that equalized school districts with agricultural and horticultural land may see an increase in TEEOSA state aid to schools and a decrease in property taxes. School districts that are non-equalized may qualify for equalization aid when the adjusted valuation of agricultural and horticultural land is reduced to 67 percent of its actual value. In those school districts, property taxes may decrease.

In order to keep local funding at the same level, school districts would need to increase their tax levy to compensate for the decrease in agricultural and horticultural land valuation. During the 2010/11 school year, 63 schools had a general fund levy equal to or greater than \$1.03999.

The Nebraska Association of County Officials (NACO) indicates that a reduction in the percentage of total value at which agricultural and horticultural land is valued for purposes of property taxation will most likely result in reduced revenue to counties. Obviously this reduction will be more prevalent in those counties with a large number of agricultural and horticultural acres. Those counties without a significant number of agricultural and horticultural acres will not be as adversely affected. NACO is unable to place a dollar amount on the reduction at this time.

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DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY Heaton, Eash, Scheideler	DATE 1/20/11	PHONE 471-2526
OMMENTS		
EPARTMENT OF EDUCATION: Lowering the assessment percent ercent of actual value would increase the level of state General Fun- ducational Opportunity Support Act (TEEOSA) formula. Based on to 010-11, a 5 percent reduction in agricultural land valuation is estima oproximately \$15,500,000 in FY 2010-11. The ongoing annual fisca	ds required to fund K-12 school a ne current TEEOSA distribution t ted to have increased General F	aid under the Tax Equity and to public school districts in FY und TEEOSA Aid by

NACO: Concur. The bill could result in a loss of property tax revenue for certain counties assuming levies do not change.

		JAN 18	2011			
LB <u>33</u>	FISCAL NOTE					2011
State Agency	OR Political Subdivision	n Name: <u>NE</u>	FISCAL E/School Finance	e & Organizatio	on Services	
Prepared by:	Inbody, Bergquist, Eret		Date Prepared:		Phone:	
ES	TIMATE PROVIDED 1	BY STATE A	GENCY OR PO	LITICAL SU	BDIVISION	J
	<u></u>	<u>Y 2011-12</u>			FY 2012-13	
	EXPENDITURES	<u>REVENU</u>	I <u>E</u>	EXPENDITUR	<u>UES</u>	<u>REVENUE</u>
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 assess agricultural and horticultural land at 70 percent of its actual value. The current assessment is 75 percent of actual value. The acceptable range for assessing agricultural and horticultural would be 64 percent to 70 percent. The current acceptable range is 69 percent to 75 percent.

This bill would also change the calculation of adjusted valuation of agricultural and horticultural valuation used in the calculation of the Tax Equity and Educational Opportunities Support Act (TEEOSA) to 67 percent of the actual valuation. The current adjustment is 72 percent of actual valuation.

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. For those school districts, property taxes may decrease.

MAJOR OBJECTS OF EXPENDITURES

Personal Services:				
	NUMBER OF	POSITIONS	<u>2011-12</u>	2012-13
POSITION TITLE	<u>11-12</u>	12-13	EXPENDITURES	EXPENDITURES
Benefit			£	
Operating				-00
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL			0	0

LB 33 FISCAL NOTE (continued)

Fiscal Impact:

To the State of Nebraska: This change would require additional state monies to fund TEEOSA state aid to schools in its current form. A specific dollar amount of this change is unknown at this time.

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

To Political Subdivision: Equalized school districts with agricultural and horticultural land may see an increase in TEEOSA state aid to schools and a decrease in property taxes. School districts that are non-equalized may qualify for Equalization Aid when the adjusted valuation of agricultural and horticultural land is reduced to 67 percent of its actual value. In those school districts, property taxes may decrease.

In order to keep local funding at the same level, school districts would need to increase their tax levy to compensate for the decrease in agricultural and horticultural valuation. During the 2010/11 school year, 63 schools had a General Fund levy equal to or greater than \$1.03999 (source: 2010/11 Certified Taxes Levied).

A specific dollar amount may not be calculated by NDE at this time without an adjusted valuation file showing the 67 percent adjusted valuation amount from the Property Taxation and Assessment Division of the Department of Revenue.

FISCAL NOTE LB33 Counties

Prepared ByEdwards, JonDate Prepared1/18/2011Prepared Phone402-434-5660

Estimate Provided By State Agency or Political Subdivision

	FY 2011-2012		FY 2012-2013		
	Expenditures	Revenue	Expenditures	Revenue	
General Funds					
Cash Funds					
Federal Funds					
Other Funds					
Total Funds					

Explanation of Estimate:

A reduction in the percentage of total value at which ag land is valued for purposes of property taxation will most likely result in reduced revenue to counties from taxation on ag land. Obviously this reduction will be more prevalent in counties with a large number of ag land acres. Those counties without a significant number of ag land acres will not be as adversely effected by this change. On this short notice it is difficult to make an estimation related to the actual dollar reduction in revenue.

Major Objects of Expenditure

	Number	of Positions	FY 2011-2012	FY 2012-2013	
Position Title	FY 2011-2012	FY 2011-2012 FY 2012-2013		Expenditures	
		Benefits			
		Operating			
		Travel			
		Capital outlay			
		Aid			
		Capital improvements			
		Total			

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LEGISLATIVE FISCAL **LB 33 Fiscal Note** 2011 **State Agency Estimate** 1/20/11 State Agency Name: Department of Revenue Date Due LFA: Date Prepared: 1/19/11 Phone: 471-5700 Approved by: Douglas Ewald FY 2013-2014 FY 2012-2013 FY 2011-2012 Expenditures Expenditures Expenditures Revenue Revenue Revenue (see below) General Funds (see below) (see below) Cash Funds Federal Funds Other Funds (see below) Total Funds (see below) (see below)

LB 33 amends §77-201 to require that agricultural and horticultural land be assessed for property tax purposes at seventy percent of its actual value. The assessment of all other real property would remain assessed at one hundred percent of its actual value.

Due to this change, §77-5023 is amended to change the acceptable range for agricultural and horticultural land for purposes of statewide equalization before the Tax Equalization and Review Commission, from sixty-nine to seventy-five percent to sixty-four to seventy percent of actual value.

This bill amends §79-1016 to lower the percent of actual value for agricultural and horticultural land for the purposes of calculating school aid from seventy-two to sixty-seven percent. This percentage is the midpoint of the range in §77-5023.

LB 33 will have an effect on the state aid programs that have property valuation as part of the calculation. For aid programs with fixed appropriations, the calculated aid could shift between the various governmental entities within each aid program. For those programs, such as TEEOSA and the Municipal Equalization Fund, this bill will change the resource calculation.

There may be costs to the General Fund to implement this bill.

It is estimated that there would be no costs to the Department to implement this bill.

The operative date for this bill is January 1, 2012.

Major Objects of Expenditure								
Class Code	Classification Title	11-12 <u>FTE</u>	12-13 <u>FTE</u>	13-14 FTE	11-12 Expenditures	12-13 <u>Expenditures</u>	13-14 <u>Expenditures</u>	
							<u>.</u>	
-								
Benefits								
Operating Costs Travel								
Capital Outlay								
Aid		• • • • • • • • • • • • • • • • • • • •	••••••					
Total		•••••••	•••••					