

PREPARED BY: Keisha Patent and Tom Bergquist
 DATE PREPARED: February 18, 2019
 PHONE: 402-471-0059

LB 530

Revision: 00

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
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 530 amends provisions related to valuation of agricultural and horticultural land and land receiving special valuation for purposes of property taxation. The bill lowers the valuation percentage from 75% to 65% of actual value. The bill lowers the adjusted valuation pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA) for agricultural and horticultural land and for land receiving special valuation from 72% to 62%. LB 530 sets the acceptable range for agricultural and horticultural land and land receiving special valuation for purposes of the Tax Equalization and Review Commission Act at 59% to 65% of actual value. Currently, the range is 69% to 75%.

The bill is operative January 1, 2020.

The changes in LB 530 will increase the amount necessary to fund state aid in the TEEOSA formula and will increase General Fund expenditures are follows:

FY 19-20	\$0
FY 20-21	\$0
FY 21-22	\$27,780,995
FY 22-23	\$27,780,995
FY 23-24	\$27,780,995

Additionally, political subdivisions would see a reduction in the property tax base, which could impact property tax revenues, depending upon the amount of agricultural or horticultural land in the taxing district, decision making at the local level, and the applicable levy limits.

The Department of Revenue estimates minimal costs to implement the bill. The State Department of Education estimates no costs.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 530	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 2/19/2019	PHONE: (402) 471-4175	
COMMENTS: Concur with the Department of Revenue's assessment the bill will impact General Fund TEEOSA expenditures.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 530	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: Lee Will	DATE: 1/29/2019	PHONE: (402) 471-4175	
COMMENTS: NACO's assessment of fiscal impact seems reasonable given the assumptions used.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/15/19				
Approved by: Tony Fulton		Date Prepared: 2/12/19				
		Phone: 471-5896				
	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>		<u>FY 2021-2022</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds						
Cash Funds						
Federal Funds						
Other Funds						
Total Funds						

LB 530 lowers the percentage of valuation for agricultural and horticultural land from 75% of its actual value to 65% of its actual value. The valuation of agricultural and horticultural land receiving special valuation would be lowered from 75% of special value.

The acceptable range of the level of value for agricultural land and horticultural land, whether receiving special valuation or not, would be lowered from 69% to 75% of actual or special value to 59% to 65% of actual or special value.

For calculating the state aid under TEEOSA, the value for agricultural and horticultural land, whether receiving special valuation or not, would be lowered from 72% of actual or special value to 62% of actual or special value (the midpoint of the acceptable range).

The bill becomes operative on January 1, 2020.

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

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

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>19-20 FTE</u>	<u>20-21 FTE</u>	<u>21-22 FTE</u>	<u>19-20 Expenditures</u>	<u>20-21 Expenditures</u>	<u>21-22 Expenditures</u>
	Benefits.....						
	Operating Costs.....						
	Travel.....						
	Capital Outlay.....						
	Capital Improvements.....						
	Total.....						

Please complete ALL (5) blanks in the first three lines.

2019

LB⁽¹⁾ 530

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson/Janice Eret Date Prepared: ⁽⁴⁾ 1/25/19 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	\$37,000,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	\$37,000,000	=====

Explanation of Estimate:

This bill would lower the taxable value of agriculture and horticulture land by 10%. For TEEOSA (State Aid) purposes, the current taxable value of agriculture and horticulture land is set at 72% of actual value. This bill would drop it down to 62% of actual value.

If this bill would pass, the taxable value of agricultural and horticulture land would decrease to 65% of actual value rather than the current 75% for assessed valuation used to determine a school districts levy. This would likely result in districts raising their levies to generate the same amount of property taxes in following years. Some districts may not be able to generate enough property taxes necessary to operate because they could be limited by the current \$1.05 levy limit. Equalized districts likely would see their resources lowered which would result in an increase to their Equalization Aid. There would also be some non-equalized districts that would become equalized with the reduced valuation.

This bill would result in an increase to TEEOSA paid to schools to counter the drop in district resources. No fiscal impact to NDE.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	\$37,000,000
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	\$37,000,000

Please complete ALL (5) blanks in the first three lines.

2019

LB⁽¹⁾ 530

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Association of County Officials (NACO)

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/28/2019 Phone: ⁽⁵⁾ (402) 434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 530 would reduce the valuation of agricultural land and horticultural land from 75 % to 65 % of its actual value. Agricultural land and horticultural land receiving special valuation would have its value reduced from 75% to 65% of its special valuation. The fiscal impact is indeterminate; however, it would significantly reduce the tax base available to levy for county services and programs, shift the tax base to commercial and residential properties, or a combination of both scenarios. Eventually, if the real property tax base is reduced in the majority of counties, the county would have to increase the levy amounts for services and programs they are required to provide by Federal and State mandates and yet maintain Constitutional levy limits of fifty cents.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____