

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2007-08</b>		<b>FY 2008-09</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	50,000,000		128,045,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>50,000,000</b>		<b>128,045,000</b>	

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

LB 510 changes the valuation of agricultural and horticultural land, creates a homestead exemption, and creates the Scholarship Trust Fund.

LB 510 reduces the level of valuation of agricultural and horticultural land from 75% to 65% resulting in a \$3.2 billion reduction in valuation. This lower valuation would likely result in offsetting higher levies (subject to the levy limit) and shift roughly \$25 million of property taxes from agricultural to non-agricultural sectors.

Also because of the loss of the lower taxable valuations, the Fiscal Office estimates that, under the current TEEOSA school aid formula, the amount of State Aid for equalized systems will increase by up to \$25,045,000 in FY09.

Furthermore, the bill exempts 10% of the average assessed value of a single family residential property in the claimant's county of residence from property taxation. This exemption applies to all homesteads and is to be reimbursed by the state. It is estimated that this legislation would increase the expenditure of the homestead exemption program as follows:

<u>Fiscal Year</u>	<u>Expense</u>
2007-08	
2008-09	\$103,000,000
2009-10	\$108,000,000
2010-11	\$113,000,000

Finally, LB 510 creates the Scholarship Trust Fund. The bill states that, "It is the intent of the Legislature to appropriate fifty million dollars for FY2007-08 to the Scholarship Trust Fund that is hereby created." The bill provides that amounts from interest earned on the invested principal balance of the Scholarship Trust Fund are to be awarded as scholarships for students participating in an 'educational program of need.'

For the purposes of this note, it is assumed that this appropriation is to be made from the General Fund.

The bill directs the Coordinating Commission for Postsecondary Education, by rule and regulation, to establish criteria and standards for use of the Scholarship Trust Fund. These are to include a requirement that a scholarship recipient work in an area of need for a period of time equivalent to the scholarship award period. The bill does not, however, expressly provide what this requirement is to entail. At one extreme, the requirement could presumably be a condition that a prospective award recipient express intent to work in an area of need for the requisite time period with no consequence for not fulfilling that intent. At another extreme, could be a requirement that a recipient repay award amounts with penalty and interest payments in the event the student ultimately does not work in an area of need for the requisite time period. Such requirements could presumably provide for exhaustive proceedings in order to claim related amounts. Requirements across the spectrum of extremes could be many. Absent express provisions in the bill, and lacking promulgated rules and regulations with respect to the requirement, estimates as to costs associated with administering Scholarship Trust Fund awards and related collection efforts, if any, are indeterminate.

**IMPACT ON POLITICAL SUBDIVISIONS:**

A loss in taxable valuations translates to a potential loss in property tax collections for political subdivisions. It is possible that some of this loss would be recovered by increasing tax levies to the extent that local political subdivisions are under the levy limit.