

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	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 145 amends sections of statute dealing with land valuation to change agricultural and horticultural land valuation.

The bill would change the percentage used for the valuation of agricultural and horticultural land from seventy-five percent of actual value to sixty-five percent of actual value.

The bill would also change the acceptable range for variation for valuation from the current sixty-nine to seventy-five percent of actual value range to fifty-nine to sixty five percent of actual value.

The bill also redefines state aid value for agricultural and horticultural land from seventy-two percent of actual value to sixty-two percent of actual value.

The bill has an operative date of January 1, 2014.

The change in the percentage used for valuation would reduce agricultural land valuation from \$49,295,143,459 statewide, to \$42,722,457,664 statewide. The current average levy on agricultural land is 1.559622. The gross reduction in taxes levied would be \$102,509,042.

TEEOSA aid, based on agricultural land valuation at 75%, is \$947,413,999; with a reduction to 65% the TEEOSA aid goes to \$976,953,581. The result is an increase in state aid to schools of \$29,539,582.

Because the bill become operative for the tax year beginning January 1, 2014, it would affect 2014 property taxes levied but won't affect TEEOSA aid until FY2015-16. The valuation used in calculating TEEOSA aid is the prior tax year data.

Therefore, we estimate the impact of LB 145 for FY2015-16 to be an increase in TEEOSA state aid of \$29,539,582 with a commensurate reduction to the General Fund.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 145	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Matthew Eash		DATE: 2/26/2013	PHONE: 402-471-4175
<p>COMMENTS: Any reduction in the assessed valuations of agricultural and horticultural land will result in some loss in revenue capacity for school districts, relative to their forecasted revenues. If a 10% reduction in the 2014 valuation of agricultural and horticultural land were applied to the tax data most recently available in 2012, then it appears that total TEEOSA State Aid would increase by approximately \$31 million in FY 2015-16. Under this scenario (and using 2012 tax levies adjusted for a 10% reduction to ag/hort valuations), it appears that schools' property tax collections statewide would decrease by approximately \$63 million. This \$32 million gap in funding would be mitigated either by reduced school spending or increased tax levy rates. If a school were already taxing at the statutory limit of \$1.05, then any tax increase would require a popular vote of district residents.</p> <p>LB 145 would create no fiscal impact to any state agency's operations.</p>			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 1/22/2013				
Approved by: Douglas Ewald		Date Prepared: 1/14/2013				
		Phone: 471-5700				
	FY 2013-2014		FY 2014-2015		FY 2015-2016	
	<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 145 amends the valuation of agricultural and horticultural land pursuant to Neb. Rev. Stat. § 77-201.

	New value for taxation	Current value for taxation
Agricultural and horticultural land	65% of actual value	75% of actual value
Special valuation on agricultural and horticultural land	65% of special value	75% of special value
Acceptable ranges for valuation of agricultural and horticultural land	59% to 65% of actual value	69% to 75% of actual value
Acceptable ranges for special valuation of agricultural and horticultural land	59% to 65% of special valuation	69% to 75% of special valuation
State aid value of agricultural and horticultural land	62% of actual value	72% of actual value
State aid value of agricultural and horticultural land that receives special valuation	62% of special valuation	72% of special valuation

In 2012, the statewide average tax rate on all real and personal property was 1.9016% per dollar of assessed value, and 1.5596% for agricultural property.

There is minimal cost to the Department to implement this bill.

Reductions in property tax rates may result in higher costs to the Tax Equity and Educational Opportunities Support Act (TEEOSA).

The bill becomes operative January 1, 2014.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Aid.....							
Capital Improvements.....							
Total.....							

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2013

LB⁽¹⁾ 145 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) NDE/School Finance & Organization Services

Prepared by: (3) Inbody, Bergquist Date Prepared: (4) 1-15-2013 Phone: (5) 1-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This bill would change the assessed valuation of agricultural and horticultural land to 65 percent of its actual value. Currently agricultural and horticultural land is valued at 75 percent of actual value. The acceptable range for assessing agricultural and horticultural land would be 59 percent to 65 percent of actual value. The current acceptable range is 69 percent to 75 percent of actual value. The adjusted value for Tax Equity Educational Opportunities Support Act (TEEOSA state aid to schools) would be 62 percent of actual value. The current adjusted value is 72 percent of actual value.

The bill has an operative date of January 1, 2014.

Fiscal Impact:

To the State of Nebraska: Additional funds may be required to fund State Aid (TEEOSA).

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

To All Political Subdivisions: The bill would reduce the tax dollars for all political subdivisions that levy based on the percent of actual value of agricultural and horticultural land.

To School Districts: 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, tax levies may decrease. For school districts that do not receive equalization aid (non-equalized school districts) the change in the assessment of agricultural and horticultural land may create an increase in tax levies through the increased distribution of state aid to equalized school districts.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-2014</u>	<u>2014-2015</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>