

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$283,900		\$98,800	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$283,900		\$98,800	

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

LB 1100 amends a number of sections of Nebraska Revised Statutes dealing with agricultural and horticultural land valuation and creates the Agricultural Land Valuation Board.

The bill provides that the actual value of agricultural and horticultural land is to be determined based upon the land's capitalized net earning capacity. County assessors are to determine capitalized net earning capacity by using an agricultural land valuation manual developed by the Agricultural Land Valuation Board.

Actual value is to be determined by the following:

- Dividing agricultural and horticultural land into major use categories (as listed in Section 6 of the bill) and dividing such categories into subclasses based on soil productivity classifications;
- Computing a gross revenue based on a three-year average of annual gross income (as specified in Section 7 of the bill); and
- Dividing the gross revenue by a discount rate determined by the Agricultural Land Valuation Board.

Agricultural and horticultural land is to be divided into the following five major categories:

- Sprinkler irrigated cropland;
- Gravity irrigated cropland;
- Dryland cropland;
- Grassland;
- Wasteland.

The Agricultural Land Valuation Board is to consist of 8 members, 6 of whom are to be appointed by the Governor with the approval of the Legislature. In addition to the 6 members appointed by the Governor, the Tax Commissioner and the Director of Agriculture are to serve as full voting members of the Board. The Director of Agriculture is to serve as chairperson.

Members of the Board are to be reimbursed for expenses and appointed members are to receive \$500 per meeting, not to exceed \$6,000 per year, except that during 2018 they may receive up to \$24,000 for the year.

Initial appointments are to be made by June 1, 2018.

The Board's duties are to:

- Develop and approve an agricultural land valuation manual that is to be used in determining the actual value of agricultural and horticultural land;
- Select and approve the data sources to be used in developing the agricultural land valuation manual;
- Set the discount rates to be used for all agricultural and horticultural land valuations;
- Make a written report to the Governor each year stating whether the agricultural land valuation was properly applied in determining the actual value of agricultural and horticultural land;
- Make recommendations to the Legislature's Revenue Committee each year as to improvements or refinements in the method used to value agricultural and horticultural land; and
- Participate in a public hearing with the Tax Commissioner and the Property Tax Administrator on each updated version of the manual.
- Prepare the initial manual by December 31, 2018 and update the manual by November 30 of each year thereafter.

Note: While the bill provides for the reimbursement of the Board members for expenses and the appointed members with a per diem, it does not give the Board the ability to hire staff.

The following section of statute is outright repealed:

Section 77-1363: Agricultural and horticultural land; classes and subclasses.

The bill contains the emergency clause.

This bill may have some effect on TEEOSA but there is no way to determine any impact at this time.

The Department of Revenue indicates they will require 1.0 FTE Tax Specialist and 1.0 FTE IT Applications Developer/Senior. PSL for FY2018-19 is \$115,700 and for FY2019-20 is \$51,700. Total cost to the Department would be \$163,900 for FY2018-19 and \$68,800 for FY2019-20.

We have no basis to disagree with the Department of Revenue's estimate of cost to the Department.

Costs for expenses and per diems for appointed members are estimated \$120,000 for FY2018-19 and \$30,000 for FY2019-20.

The University of Nebraska is required to provide commodity pricing information to the Board and participate on the Board. The fiscal impact to the University is nominal.

IMPACT TO POLITICAL SUBDIVISIONS:

The Nebraska Association of County Officials indicates that the fiscal impact to counties is unknown. Factors which would potentially decrease the amount of the valuation of land realized include: utilization of a discount rate, five percent of the assessed value would be used for wasteland and other factors.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1100	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Gary Bush	DATE: 02/16/18	PHONE: (402) 471-4161	
COMMENTS: No basis to disagree with the estimate provided by the University.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1100	AM:	AGENCY/POLT. SUB: Neb. Association of County Officials	
REVIEWED BY: Gary Bush	DATE: 01/24/18	PHONE: (402) 471-4161	
COMMENTS: No basis to comment as no impact was included on the fiscal note.			

The Director of Agriculture would be the chairperson, and the Tax Commissioner would also serve on the ALV Board, each with full voting rights. ALV Board members would be reimbursed for their actual and necessary expenses, and compensated at \$500 per ALV Board meeting (not to exceed \$6,000 per year and per member, except in 2018, which would allow compensation of up to \$24,000 in that year). Appointments to the ALV Board would be made no later than June 1, 2018; The appointments for the livestock producer, the agricultural crop producer, and the farm advocacy organization representative would expire December 1, 2020; the appointments for the remaining three members would expire December 1, 2022. The ALV Board would meet a minimum of twice annually or at the call of either the chairperson or a majority of the ALV Board's members.

The duties of the ALV Board would be to: (1) develop an agricultural land valuation manual (Manual) to be used in determining the actual value of agricultural land and horticultural land; (2) select the data sources to be used in developing the Manual; (3) set the discount rates to be used in all agricultural land and horticultural land valuations; (4) make a written report to the Governor stating whether the Manual was properly applied; (5) make recommendations to the Revenue Committee of the Legislature as to the methods for valuing agricultural land and horticultural land; and (6) participate in a public hearing with the Tax Commissioner and Property Tax Administrator for each updated version of the Manual. The initial version of the Manual will be created by December 31, 2018, and must be updated November 30 of each succeeding year. If the ALV Board fails to approve an update to the Manual, the Director of Agriculture must make final revisions within 10 days.

LB 1100 has an Emergency Clause.

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

Unlike LBs 338 (2017) and 602 (2017) LB 1100 requires the ALV Board to develop, publish, and maintain an agricultural land valuation manual. To perform this function, the Department estimates the need for one FTE Tax Specialist, and one FTE IT Application Developer Senior . Assuming 24 meetings in fiscal year 2018-19 and six meetings per year thereafter, expenses and compensation for members of the ALV Board are estimated to be \$120,000 in the first year and \$30,000 per year thereafter.

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

2018

LB⁽¹⁾ 1100

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ January 20, 2018 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</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 1100 establishes the Agricultural Land Valuation Board and requires the University to provide commodity pricing information to the Committee and to participate on the Committee. The fiscal impact to the University is nominal.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2018

LB⁽¹⁾ 1100

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/24/2018 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</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:

The fiscal impact to counties is unknown. LB 1100 would create an Agricultural and Land Valuation Board (the Board). Actual value of agricultural and horticultural land would be determined based upon the land's capitalized net earning capacity with such values established by the Board. Factors which would potentially decrease the amount of the valuation of such land currently realized include: utilization of a discount rate, five percent of the assessed value would be used for wasteland and other factors.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____