

Sandy Sostad January 11, 2012 471-0054

three fiscal years and therefore any fiscal impact is negligible.

LB 800

FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *					
	FY 2012-13		FY 2013-14		
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE	
GENERAL FUNDS					
CASH FUNDS					
FEDERAL FUNDS					
TRUST FUNDS		See Below		See Below	
TOTAL FUNDS					

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

LB 800 relates to the establishment of the value of school lands that are offered for sale. Current law provides for the appraised value of school land to be established pursuant to section 72-257 or 72-258. These sections of law provide that land may be appraised for purposes of sale by a certified general real property appraiser and require that the land cannot be sold for less than appraised value. LB 800 changes the definition of appraised value for sale purposes to be the value as determined by the Board of Educational Lands and Funds (BELF).

Prior to the passage of LB 210 (2011), BELF was determining the appraised value of school land for sale purposes. The bill changed the process to require an appraisal by a real property appraiser prior to the sale of a parcel of land. Appraisals cost \$1,500. The cost of the appraisal is ultimately borne by the school land trust through reduced revenue from the sale of the land. The bill appears to eliminate the requirement for the appraisal which reduces expenditures by an unknown amount dependent upon the number of parcels of land offered for sale. Revenue from the sale of land is deposited in the Permanent School Fund, the interest from which is allocated to school districts on an annual basis.

It is unknown whether the appraised value as established by BELF in the future will be greater or less than what would have been established by a contracted property appraiser. However, BELF indicates that the sale value established by the board in the last year has been higher in all instances than the value determined by the appraiser and BELF has a fiduciary duty as a trustee to sell school land for the highest amount.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	1/13/12	PHONE 471-2526		
COMMENTS					
BD. OF EDUCATIONAL LANDS AND FUNDS – Concur. It may be worth noting that the Board has sold 10 parcels in each of the last					

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LB ⁽¹⁾ 800 FISCAL NOTE		LEGISLATIVE FISCAL			
State Agency OR Po	olitical Subdivision Name: ⁽²⁾	Board of Educational Lands and Funds – Division 1			
Prepared by: ⁽³⁾	Cindy S.H. Kehling	Date Prepared: ⁽⁴⁾	January 10, 2012 Phone: ⁽⁵	402 471-2014	
ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION					
	<u>FY 201</u> EXPENDITURES	<u>12-2013</u> REVENUE	<u>FY 2013-2014</u> EXPENDITURES REVENUE		
TRUST FUNDS	Unknown.	Depends on	number of	Sale requests.	

	•* ••		
CASH FUNDS		 	
FEDERAL FUNDS		 	
OTHER FUNDS		 	
TOTAL FUNDS		 	

<u>Return by date specified or 72 hours prior to public hearing, whichever is earlier.</u> Explanation of Estimate:

State Statute 72-258.03 regarding the definition of "appraised value" was amended under LB210 during the 2011 Legislative Session. The amendment created a problem whereby BELF is now required to have a certified general appraisal completed on land to be sold, and that the land cannot be sold for less than that appraisal. Due to this certified general appraisal requirement, the Board adopted procedures whereby the CEO/Executive Secretary is to (1) obtain a Certified General Appraisal for any parcel to be offered at public auction for deed sale, (2) require the land sale requesting party to submit a deposit of \$1,500 prior to obtaining the Certified General Appraisal, (3) if the requesting party is the successful purchaser at the sale auction, this \$1,500 shall be credited towards the final purchase balance due 90 days from the sale date, and (4) refund the \$1,500 to the requesting party if they are not the successful purchaser. In addition, any parcels of land the Board desires to advertise for sale without a requesting party in place must also have a certified general appraisal. This also requires an average \$1,500 expense for each certified general appraisal obtained. Each \$1,500 spent to obtain an appraisal is \$1,500 less going to the school children of Nebraska.

State Statute 72-258.03 as currently written creates a substantial deterrent to anyone seeking to buy any of the Board of Educational Lands and Funds School Trust Land since they must pay the \$1,500 deposit for obtaining a certified general appraisal without knowing a sale value to determine desirability of purchase. This requirement also delays the sale of the land while waiting for the appraisal to be completed, which can eliminate purchasers who may be involved in a 1031 land exchange.

As a practical matter, the sale value recommended and established by the Board has been higher in all instances than the certified general appraisal value received from independent appraisers, hired during 2011 to comply with the appraisal requirement. The Board operates under fiduciary duty as Trustees of the School Trust and acts to obtain the highest values possible.

	MAJOR OBJEC	TS OF EXPENI	DITURE	
Personal Services:				
POSITION TITLE	NUMBER OF		2012-2013	2013-2014 EXPENDITURES
I OSITION IIILE	<u> </u>	<u>13-14</u>	EXPENDITURES	EXPENDITURES
	······			
Benefits				
Operating	••••••		Unknown.	See above.
Travel				
Capital outlay				
Aid	•••••			
Capital improvements				
TOTAL				