

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

LB 670 amends Nebraska Revised Statutes dealing with the valuation of agricultural and horticultural land.

Section 77-201 is amended to phase in, over a three-year period, a change in the valuation percentage of agricultural and horticultural land as follows (the current percentage is 75%):

For tax year 2015: 72% of actual value  
 For tax year 2016: 69% of actual value  
 For tax year 2017: 65% of actual value  
 (and thereafter)

For agricultural and horticultural land receiving special valuation the change in valuation percentage is the same as above.

Section 77-5023 is amended to phase in, over a three-year period, a change in the acceptable range of valuation for agricultural and horticultural land as follows: (the current acceptable range is 69% to 75%):

For tax year 2015: 66% to 72% of actual value  
 For tax year 2016: 63% to 69% of actual value  
 For tax year 2017: 59% to 65% of actual value  
 (and thereafter)

For agricultural and horticultural land receiving special valuation the change in acceptable range percentage is the same as above.

Section 79-1016 is amended to phase in, over a three-year period, a change in the adjusted valuation percentage for purposes of determining state aid under TEEOSA as follows: (the current adjusted valuation is 72%):

For tax year 2015: 69% of actual value  
 For tax year 2016: 66% of actual value  
 For tax year 2017: 62% of actual value  
 (and thereafter)

For agricultural and horticultural land receiving special valuation the change in adjusted valuation is the same as above.

The bill has an operative date of January 1, 2015.

For purposes of equalization aid under TEEOSA, lowering the agricultural and horticultural land valuation, as proposed by LB 670, will result in a lower yield from local effort rate which results in higher equalization aid under the formula. The approximate increase in state equalization aid would be \$7.9 million in FY2014-15, \$16.7 million in FY2015-16, and \$28.9 million in FY2016-17.

The Department of Revenue indicates minimal costs to implement the provisions of LB 670.

We agree with the Department estimate of cost to implement LB 670.

LB 670 FISCAL NOTE  
DAS ANALYST COMMENTS

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES																							
LB: 670	AM:	AGENCY/POLT. SUB: Department of Education																					
REVIEWED BY: Lyn Heaton and Matt Eash		DATE: 2/6/2014	PHONE: 402.471.4181																				
<p>COMMENTS: Currently, agricultural and horticultural land is artificially valued at 75% of actual value for the purposes of property taxation. Beginning in tax year 2015, LB 670 would incrementally reduce this percentage over three years to 65.</p> <p><b>Note:</b> It is not possible to predict confidently actual valuation growth over the next three years, so this analysis reflects only the fiscal impact of the tiered reductions if they were applied to the most recent 2013 property valuations. For purposes of this illustration, it is assumed that taxing authorities would not increase levy rates to compensate for the tiered reductions in valuation.</p> <p>The following table depicts the approximate statewide aggregate reduction of property tax revenues to school districts based on the 2013 Certificate of Taxes Levied Reports:</p> <table border="1"> <thead> <tr> <th></th> <th>Assessed Valuation Rate</th> <th>Total Agricultural Assessed Valuation*</th> <th>Cumulative Reduction Property Taxes</th> </tr> </thead> <tbody> <tr> <td><b>Base Year</b></td> <td>75%</td> <td>\$ 60.6 billion</td> <td>-</td> </tr> <tr> <td><b>Year 1</b></td> <td>72%</td> <td>58.2 billion</td> <td>\$(23.3 million)</td> </tr> <tr> <td><b>Year 2</b></td> <td>69%</td> <td>55.7 billion</td> <td>(46.6 million)</td> </tr> <tr> <td><b>Year 3</b></td> <td>65%</td> <td>52.5 billion</td> <td>(77.6 million)</td> </tr> </tbody> </table> <p>* In order to compare relative fiscal impact of the tiered rate reductions, assessed agricultural land valuation is assumed to remain unchanged for the 4-year period.</p>					Assessed Valuation Rate	Total Agricultural Assessed Valuation*	Cumulative Reduction Property Taxes	<b>Base Year</b>	75%	\$ 60.6 billion	-	<b>Year 1</b>	72%	58.2 billion	\$(23.3 million)	<b>Year 2</b>	69%	55.7 billion	(46.6 million)	<b>Year 3</b>	65%	52.5 billion	(77.6 million)
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<p>LB 670 also makes corresponding tiered reductions to the calculation of the "state aid value" of agricultural and horticultural land—which refers to what is known as "adjusted valuation"—for purposes of calculating school district resources in the TEEOSA State Aid formula. The current percentage is 72% for agricultural and horticultural land. Over three years, this rate would be reduced to 62%. A decrease in adjusted valuation would generally result in a reduction in TEEOSA Formula Resources likely generating some level, but not necessarily an equivalent amount, of increase in the amount of General Funds needed for TEEOSA Equalization Aid.</p> <p>It is not possible to predict confidently the annual change to total TEEOSA State Aid beyond FY 2014-15, so this analysis reflects only the fiscal impact of the tiered reductions if they were applied to the current law estimate of FY 2014-15 TEEOSA Aid.</p> <p>The following table depicts the approximate statewide aggregate increase to TEEOSA General Fund Equalization Aid as a result of LB 670's reductions to school adjusted values:</p> <table border="1"> <thead> <tr> <th></th> <th>Adjusted Valuation Rate</th> <th>Total Agricultural School Adjusted Value*</th> <th>Cumulative Increase TEEOSA Aid (General Fund)</th> </tr> </thead> <tbody> <tr> <td><b>Base Year</b></td> <td>72%</td> <td>\$ 60.5 billion</td> <td>-</td> </tr> <tr> <td><b>Year 1</b></td> <td>69%</td> <td>57.9 billion</td> <td>\$ 8.2 million</td> </tr> <tr> <td><b>Year 2</b></td> <td>66%</td> <td>55.4 billion</td> <td>17.2 million</td> </tr> <tr> <td><b>Year 3</b></td> <td>62%</td> <td>52.1 billion</td> <td>30.1 million</td> </tr> </tbody> </table> <p>* In order to compare relative fiscal impact of the tiered rate reductions, adjusted valuations are based on a base actual value that is assumed to remain unchanged for the 4-year period.</p>					Adjusted Valuation Rate	Total Agricultural School Adjusted Value*	Cumulative Increase TEEOSA Aid (General Fund)	<b>Base Year</b>	72%	\$ 60.5 billion	-	<b>Year 1</b>	69%	57.9 billion	\$ 8.2 million	<b>Year 2</b>	66%	55.4 billion	17.2 million	<b>Year 3</b>	62%	52.1 billion	30.1 million
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ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 670	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 2/6/2014	PHONE: 402.471.4181
COMMENTS: The Department of Revenue's analysis appears reasonable.			

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

**2014**

**LB<sup>(1)</sup> 670**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

NDE/School Finance & Organization Services

Prepared by: <sup>(3)</sup>

Wilson/Inbody

Date Prepared: <sup>(4)</sup>

January 13, 2014

Phone: <sup>(5)</sup>

1-3323

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</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:** This bill will not affect the 2014/15 calculation of State Aid. This bill will reduce the amount of local resources calculated for districts with agricultural or horticultural land. As a result of reduced local resources TEEOSA aid will increase for certification of State Aid after the 2014/15 school year. The amount of the increase in future years cannot be determined at this time.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____



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

**2014**

**LB<sup>(1)</sup> 670**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Association of County Officials (NACO)

Prepared by: <sup>(3)</sup> Elaine Menzel

Date Prepared: <sup>(4)</sup> 1/13/2014

Phone: <sup>(5)</sup> 402.434.5660,  
ext 225

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

Explanation of Estimate:

LB 670 would gradually decrease the percentage of actual value used for agricultural and horticultural land. The current rate is 75 percent and it would eventually decrease to 65 percent. The fiscal impact is indeterminate.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15 EXPENDITURES</u>	<u>2015-16 EXPENDITURES</u>
	<u>14-15</u>	<u>15-16</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>	<b>_____</b>