

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	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 622 seeks to make changes to the allowable growth of real property valuations. Under LB 622, the total valuation of agricultural and horticultural land cannot exceed 3% growth compared to the prior year. This limit also applies to all nonagricultural real property, which is defined as all real property not used primarily for agricultural or horticultural use.

For each of these two classifications, new growth is excluded from the 3% cap. New growth is defined as any increase in real property valuation due to improvements from new construction or additions.

If the valuation for either classification of real property exceeds 3%, LB 622 requires the Tax Commissioner to calculate an adjustment ratio to be distributed to each county assessor for uniform adjustment of the assessed values of a given classification of land. Additionally, LB 622 requires the Tax Equalization and Review Commission to take into the account the adjustment ratio when setting the acceptable range of valuation for agricultural and horticultural land, as well as for nonagricultural real property.

For the purposes of calculating state aid, LB 622 amends the definition in the event that the Tax Commissioner issues an adjustment:

- For non-agricultural real property, 4% is subtracted from the percentage of actual value;
- For agricultural and horticultural land, 3% is subtracted from the percentage of actual value;
- For agricultural and horticultural land receiving special valuation, 3% is subtracted from the percentage of actual value.

TEEOSA:

LB 622 will have an impact on TEEOSA, although it's difficult to estimate the magnitude. The average valuation increase excluding new growth for nonagricultural real property has averaged approximately 3.5% in the last ten years. This 0.5% difference in valuation would create a need for increased aid from TEEOSA, although this would vary by district.

Agricultural valuation has averaged 10.22% in the last ten years, yet the impact to TEEOSA likely wouldn't be as extreme due to there being fewer equalized districts with high levels of agricultural land. It is also important to note that agricultural land valuation has only averaged 3.52% in the last five years, which further suggests that the overall state impact to TEEOSA may not be extreme.

Education:

The Department of Education estimates there will be no costs to the Department to implement LB 622. There is no basis to disagree with this estimate.

Revenue:

The Department of Revenue expects the need for a 0.5 FTE Tax Specialist Senior to assist the Tax Commissioner in determining adjustment ratios. This is expected to cost \$46,500 in FY21-22 and \$42,500 in FY22-23. There is no basis to disagree with this estimate.

Political Subdivisions:

The impact to counties is unclear. Lancaster County estimates a technological expenditure of \$5000 to implement LB 622, which may be consistent with other counties. The Nebraska Association of County Officials was unable to provide an estimate. There is no basis to disagree with these estimates.

CONTINUED

Political subdivisions that levy property taxes may see a revenue loss as a result of LB 622. Non-equalized school districts that are funded by property taxes may need to reduce their budgets if real property valuation growth is significantly impacted. Douglas County expects most political subdivisions will see a long-term reduction in revenue. There is no basis to disagree with this estimate.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 622	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Lee Will	DATE: 02/16/2021	PHONE: (402) 471-4175	
COMMENTS: The Department of Education's assessment of fiscal impact seems reasonable given the assumptions provided.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 622	AM:	AGENCY/POLT. SUB: Department of Revenue	
REVIEWED BY: Lee Will	DATE: 02/16/2021	PHONE: (402) 471-4175	
COMMENTS: Concur with the Department of Revenue's assessment of fiscal impact. No basis to disagree with the need for a half time FTE to facilitate the requirements of the bill.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 622	AM:	AGENCY/POLT. SUB: Lancaster County Assessor	
REVIEWED BY: Lee Will	DATE: 01/25/2021	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with the Lancaster County Assessor's assessment of fiscal impact in relation to modifications within existing software.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 622	AM:	AGENCY/POLT. SUB: Douglas County	
REVIEWED BY: Lee Will	DATE: 02/16/2021	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with Douglas County's assessment of fiscal impact based on planned growth by the County.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 622	AM:	AGENCY/POLT. SUB: Nebraska Association of County Officials (NACO)	
REVIEWED BY: Lee Will	DATE: 02/16/2021	PHONE: (402) 471-4175	
COMMENTS: No basis to disagree with NACO's assessment of unknown fiscal impact.			

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

2021

LB⁽¹⁾ 622

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NE Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/21/21 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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 622 puts a 3% growth cap on assessed value growth for all classes of property in addition to adjusted valuations which are used for the calculation of TEEOSA. Limiting valuation growth will limit potential revenue for some non-equalized districts and cause a shift from property taxes to TEEOSA for equalized districts.

This bill could result in a significant increase in TEEOSA depending on how much valuation growth occurs and where it occurs. The amount cannot be determined.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	=====	=====	=====	=====

State Agency Estimate

State Agency Name: Department of Revenue Date Due LFO:
 Approved by: Tony Fulton Date Prepared: 2/11/2021 Phone: 471-5896

	<u>FY 2021-2022</u>		<u>FY 2022-2023</u>		<u>FY 2023-2024</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds	\$ 46,500		\$ 42,500		\$ 43,500	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds	\$46,500		\$ 42,500		\$ 43,500	

LB 622 amends Neb. Rev. Stat. § 77-201 to change how agricultural and horticultural land, agricultural land and horticultural land receiving special valuation, and nonagricultural real property is valued when the total assessed value of the particular class of property is more than 3% than the total assessed value of all property in the class in the prior year, excluding any new growth occurring since the prior year’s assessment. If the increase in the total assessed value of agricultural and horticultural land or nonagricultural real property exceeds 3%, the Tax Commissioner must calculate and set an adjustment ratio to uniformly and proportionately adjust the assessed value of all property in the class so that the 3% limit is not exceeded. The Tax Commissioner is given the authority to order each county assessor to adjust the assessed value of a class (agricultural and horticultural land and/or nonagricultural real property) by the adjustment ratio.

New growth is defined as the increase in real property valuation due to improvements to real property as a result of new construction and additions to existing buildings and any other improvements to real property which increase the value of such property.

Nonagricultural real property is defines as all real property other than agricultural land and horticultural land as defined in section 77-1359.

Section 2 amends Neb. Rev. Stat. § 77-5023 to require the Tax Equalization and Review Commission to use the following acceptable ranges of value in a year when the Tax Commissioner has set an adjustment ratio:

- For agricultural land and horticultural land, a percentage variation similar to 69% to 75% after taking into account the adjustment made by the Tax Commissioner;
- For agricultural land and horticultural land receiving special valuation, a percentage variation similar to 69% to 75% after taking into account the adjustment made by the Tax Commissioner;

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>21-22</u>	<u>22-23</u>	<u>23-24</u>	<u>21-22</u>	<u>22-23</u>	<u>23-24</u>
		<u>FTE</u>	<u>FTE</u>	<u>FTE</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Expenditures</u>
A29622	Revenue Tax Specialist Senior	0.5	0.5	0.5	\$ 31,200	\$ 32,000	\$ 32,700
Benefits.....					\$ 10,300	\$ 10,500	\$ 10,800
Operating Costs.....							
Travel.....							
Capital Outlay.....					\$ 5,000		
Capital Improvements.....							
Total.....					\$ 46,500	\$ 42,500	\$ 43,500

- For all other real property (nonagricultural real property), a percentage variation similar to 92% to 100% after taking into account the adjustment made by the Tax Commissioner.

Section 3 amends Neb. Rev. Stat. § 79-1016 to define state aid value in any year in which the Tax Commissioner sets an adjustment ratio as:

- For real property other than agricultural and horticultural land (nonagricultural real property), 4% less than the percentage of actual value as determined under Neb. Rev. Stat. § 77-201.
- For agricultural land and horticultural land, 3% less than the percentage of actual value as determined under Neb. Rev. Stat. § 77-201;
- For agricultural land and horticultural land receiving special valuation, 3% less than the percentage of actual value as determined under Neb. Rev. Stat. § 77-201;

This bill becomes operative on January 1, 2022.

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

It is estimated the Department will need 0.5 FTE Tax Specialist Senior to review, analyze, and help determine adjustment ratios.

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

2021

LB⁽¹⁾ 622

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Lancaster County Assessor/ROD

Prepared by: ⁽³⁾ Scott Gaines Date Prepared: ⁽⁴⁾ 1/22/21 Phone: ⁽⁵⁾ 402-441-6580

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$5,000		0	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$5,000</u>		<u>0</u>	

Explanation of Estimate:

This bill would require one-time modifications to the existing software of the Lancaster County Assessor's Office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</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.

2021

LB622⁽¹⁾ *Limit the growth of real property valuations and provide for adjustments to assessed values*

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ DOUGLAS COUNTY, NEBRASKA

Prepared by: ⁽³⁾ Marcos San Martin, County Administration Date Prepared: ⁽⁴⁾ 2/12/2021 Phone: ⁽⁵⁾ 402.444.5116

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Explanation of Estimate:

NEGATIVE (DETRIMENTAL) FISCAL IMPACT TO DOUGLAS COUNTY

The requirements of LB622 creates the potential for a significant loss of anticipated tax revenue to all political subdivisions. Considering that real property values in Douglas County have increased on average by more than "7%" in each of the two prior tax years alone, a limitation on property value growth of no more than "3%" greater than the total assessed value in a prior tax year, as proposed by LB622, would result in a significant long-term reduction in tax revenue versus the tax revenue that should be generated if more accurately assessed property values are reflected based on the current environment of the real property market.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22 EXPENDITURES</u>	<u>2022-23 EXPENDITURES</u>
	<u>21-22</u>	<u>22-23</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2021

LB⁽¹⁾ 622

FISCAL NOTE

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

Prepared by: ⁽³⁾ Elaine Menzel Date Prepared: ⁽⁴⁾ 1/22/2021 Phone: ⁽⁵⁾ 402.434.5660

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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 622 provides that, if real property valuations are greater than 3-% higher than the total assessed value of all such property in the prior year, excluding any new growth occurring since the prior year's assessment, the level of assessment for the class would be lowered so that the growth in the aggregate valuation of the class would not exceed 3%. This calculation and limitation would be made for the class of agricultural real property, and would be made separately for all non-agricultural real property.

The fiscal impact to counties is unknown.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____