

PREPARED BY: Bill Biven, Jr.  
 DATE PREPARED: January 14, 2022  
 PHONE: 402-471-0054

**LB 711**

Revision: 00

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2022-23</b>		<b>FY 2023-24</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	See Below	See Below	See Below	See Below
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB711 amends several sections, redefines terms, & harmonize provisions to change provisions related to the sale of educational lands.

The Board of Educational Lands & Funds (BELF) will now be able to sell land at the expiration of the present lease if the purchaser intends to use the land for economic development. The land will be sold at public auction with the minimum opening bid being no less than the appraised value of the land based on its current use. BELF will appoint an appraiser who has no material interest in the outcome of the sale & does not have a material relationship with any members of the Board.

Once the land is sold, the purchaser has one year after the date of purchase to start improving or developing the land. At some point within the first five years of ownership, the appraised value of the land will be at least twice the amount of the purchase price. If the appraised value of the land fails to achieve the required increase, BELF will take actions to reacquire the land. BELF will pay the purchaser the appraised value, as of the date of the failed valuation requirement, of the land to reacquire it.

**EXPENDITURES:**

BELF may not have the funds available to reacquire the land due to not being able to use its rental or investment income from the Permanent School Fund. Proceeds from the sale of land are deposited in their permanent fund with the Nebraska Investment Council and cannot be removed from the permanent fund for the purpose of buying back the land.

BELF estimates the need to add an FTE to oversee the changes made. The operating expenses created by the new FTE for FY2022-23 are \$96,882 and increase by 4.19% to \$100,943 for FY2023-24.

Additional expenditures could include contract litigation, appraisals, surveys, & advertisement of auctions when the available land goes to auction.

**REVENUES:**

Revenues cannot be determined at this time.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>				
LB:	711	AM:	AGENCY/POLT. SUB: Board of Educational Lands and Funds	
REVIEWED BY:	Gary Bush	DATE:	1/14/22	PHONE: (402) 471-4161
<p>COMMENTS: Unable to provide comment as the agency did not fully define that costs of the bill.          Agree with the agency that an additional position would be needed. However, the fund source would be cash funds as the agency transfers money from the School Land Trust Fund to their cash fund, as needed, to pay expense.          Disagree with the agency of a 5% increase in salary in the second year. Over the past several years, salary increases for the agency has been in the 1% to 3% range.</p>				

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

2022

LB<sup>(1)</sup> 711

FISCAL NOTE

State Agency OR Political Subdivision Name: <sup>(2)</sup> 32 - Board of Educational Lands and Funds

Prepared by: <sup>(3)</sup> Kelly Sudbeck Date Prepared: <sup>(4)</sup> 1/7/2022 Phone: <sup>(5)</sup> 402 / 471-2014

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$0	\$0	\$0	\$0
TRUST FUNDS	unknown	unknown	unknown	unknown
FEDERAL FUNDS	\$0	\$0	\$0	\$0
OTHER FUNDS	\$0	\$0	\$0	\$0
TOTAL FUNDS	unknown	unknown	unknown	unknown

Explanation of Estimate:

Any anticipated impacts of LB 711 on the School Land Trust's expenditures or revenues would obviously depend upon whether this Agency receives any land sale requests pursuant to this proposed statute. That being stated, the proposed bill requires that this Agency sell land at an appraised value limited to the value of the land based on the current use. Some of the Agency's land has enhanced value based upon location, future development potential, or other unique circumstances; not related to the current use. Application of this restriction could result in an artificially low sale price, resulting in the loss of anywhere from hundreds, to millions of dollars of sale revenue, to the Trust. This would in turn decrease future investment income earned on the invested sale proceeds by potentially millions of dollars. The decrease in acres owned would also decrease the rental income received. All of this would result in decreased apportionment payments to the Trust beneficiaries, namely Nebraska school children, and could violate the Board's fiduciary duty to those beneficiaries. The School Land Trust presently pays real estate taxes, so real estate tax receipts would not increase, and the loss of apportionment payments would not be offset, as a result of the privatization of the land ownership. This legislation also requires that the Board "reacquire" the previously sold property if the buyer hasn't doubled the value of the property within five years. The Board may not have readily available funds to do so. Pursuant to Statute, this Board cannot use its rental or investment income from the Permanent School Fund to purchase property. Land sale proceeds are deposited with the Nebraska Investment Council in the permanent fund. Nebraska law does not provide that this Board can request a refund from the permanent fund to be used to repurchase property. The resulting inability of the Board to reacquire property could lead to litigation, which could cost thousands of dollars. LB 711 requires the Board sell property at the request of a Lessee. This provision may require the Board to prematurely terminate existing leases, leading to breach of contract litigation costing thousands of dollars. Further, the Trust would presumably pay for the appraisals required, which can cost from \$1,500.00 to \$5,000.00 each, and any surveys that may be required which could cost from \$1,500.00 to \$5,000.00 per survey. Advertising expenditures are generally \$500.00 to \$5,000.00, depending upon the medium used for the advertisements. These additional costs to the Trust could range from \$3,500.00 to \$15,000.00 per land sale.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2022-23	2023-24
	22-23	23-24	EXPENDITURES	EXPENDITURES
Land Sales Administrator	1	1	\$65,000	\$68,250
Benefits.....			\$31,882	\$32,693
Operating.....				
Travel.....			Unknown	Unknown
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$96,882	\$100,943