



## Fiscal Estimate Narratives

DPI 4/13/01

LRB Number	01-2734/1	Introduction Number	AB-262	Estimate Type	Original
<b>Subject</b>					
State aid to replace taxes lost due to phase-in of use value assessment of agriculture land					

### Assumptions Used in Arriving at Fiscal Estimate

In the 2000 calendar year, the Department of Revenue promulgated an emergency rule accelerating the implementation of use value for assessing agricultural land property from 30% of use value to 100% of use value. This change in the method of assessing agricultural property values effectively reduced the aggregate property value of each school district with agricultural land. Because per pupil tax base is a factor in the state's distribution of equalization aids, this reduction in property value affected the amount of equalization aid received by each district in the 2000-01 school year (equalization aid is distributed based on prior year data).

#### State Fiscal Effect:

The Department of Revenue estimates that the state would be required to make payments totaling approximately \$18.7 million to compensate school districts statewide for any decrease in property tax as a result of the use value assessment of agricultural land within each school district's boundaries. Under this bill, this compensation would first be paid by July 1, 2002 and would be treated by school districts as if it had been received in the prior fiscal year (2001-02).

#### Local Fiscal Effect:

School districts statewide would receive \$18.7 million from the state to compensate them for any decrease in property tax as a result of the use value assessment of agricultural land within each school district's boundaries. This bill would not change any district's revenue limit; therefore, this additional state aid would be used by districts to reduce school property tax levies.

This bill would compensate school districts for the decrease in property tax as a result of the value assessment method. This compensation would be included in a district's equalized valuation, thus increasing its equalized value per pupil. Because equalized value per pupil is a factor in the state equalization aid formula, it would have an effect on the distribution of state equalization aid.

### Long-Range Fiscal Implications