

REVISED
FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2374 Amendment to: _____

Requested by Legislative Council Date of Request: 1-29-97

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

SEE ATTACHED NARRATIVE

2. State fiscal effect in dollar amounts:

	<u>1995-97</u>		<u>1997-99</u>		<u>1999-2001</u>	
	<u>Biennium</u>		<u>Biennium</u>		<u>Biennium</u>	
	<u>General</u>	<u>Special</u>	<u>General</u>	<u>Special</u>	<u>General</u>	<u>Special</u>
	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>
Revenues:	0	0	0	(\$5,012,000)	0	(\$612,000)
Expenditures:	0	0	\$612,000	\$1,309,000	\$612,000	(\$110,000)

3. What, if any, is the effect of this measure on the appropriation for your agency or department:


- a. For rest of 1995-97 biennium: 0
- b. For the 1997-99 biennium: Increase of \$306,000 for appraisal fees.
- c. For the 1999-2001 biennium: Decrease of \$110,000 due to loss of one FTE plus reduction in our leafy spurge program.

4. County, City, and School District fiscal effect in dollar amounts:

<u>1995-97</u>			<u>1997-99</u>			<u>1999-2001</u>		
<u>Biennium</u>			<u>Biennium</u>			<u>Biennium</u>		
<u>Counties</u>	<u>Cities</u>	<u>School Districts</u>	<u>Counties</u>	<u>Cities</u>	<u>School Districts</u>	<u>Counties</u>	<u>Cities</u>	<u>School Districts</u>

SEE NARRATIVE FOR #1 ABOVE

If additional space is needed, attach a supplemental sheet.

Signed 
 Typed Name ROBERT J OLHEISER
 Department STATE LAND DEPARTMENT
 Phone Number 328-2806

Date Prepared: 2-5-97
 REVISED: 2-7-97

ADDENDUM TO FISCAL NOTE ON SB 2374

Section 1

Impact on the state general fund: If SB 2374 were to pass, a total of approximately \$306,000 in annual income would not be available for distribution to schools state wide via the school foundation aid formula. In order to maintain the current state level of funding for education, an additional amount of \$306,000 would need to be appropriated annually from the state general fund.

Impact on special funds: SB 2374 mandates a "fire sale" on approximately 184,000 acres of school trust land (this is the total amount of land in excess of the 2% allowed by the bill). Our estimate of the value of this land is \$24,460,000. Professional appraisers have advised us that a mandated sale such as this, would result in a discount of around 18% of the value of the property (because bidders would know we have to sell). This translates into a total permanent loss of \$4,400,000 in principal value for the educational trusts that own this land.

An educated estimate of the total taxes levied on this property (184,000 acres) is \$234,000 - based on an estimate of grassland acreage taxes in the affected counties. If this land is sold as required by the bill:

Impact on counties: An average of 35% of the \$234,000 in taxes levied on this property (or approximately \$81,900) would go to counties in the affected areas.

Impact on cities: An average of 15% of the \$234,000 in taxes levied on this property (or approximately \$35,100) would go to cities in the affected counties.

Impact on school districts: An average of 50% of the \$234,000 in taxes levied on this property (or approximately \$117,000) would go to school districts in the affected counties.

NOTE: The estimate of total annual tax revenue (\$234,000) available to counties, cities and school districts as a result of the bill is less than the estimated annual loss of income (\$306,000) from the change in investment strategy that the bill would require.

Section 2 - Explanation

1997-99

- ◆ General Fund Expenditure: \$612,000 is the amount that would need to be appropriated from the general fund to maintain the current level of foundation aid payments.
- ◆ Special Fund Revenue: Loss of \$4,400,000 from fire sale discount, plus \$612,000 loss of total return investment income.
- ◆ Special Fund Expenditure: Realtor's fees @ 5%, plus land appraisal costs.

1999-01

- ◆ General Fund Expenditure: \$612,000 is the amount that would need to be appropriated from the general fund to maintain the current level of foundation aid payments.
- ◆ Special Fund Revenue: Loss of \$612,000, from the difference in total return between current investment in land and the net amount that would available for investment in securities if the land is sold.
- ◆ Special Fund Expenditure: Decrease in expenditures from loss of one position plus reduction in leafy spurge program.