LB 269 FISCAL NOTE
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Revised based on amendments adopted through 4/30/97

	FY 1997-98		FY 1998-99	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL			Up to $8,208,078	
CASH				
FEDERAL				
OTHER				
TOTAL	$0	$0	Up to $8,208,078	$0

Provisions of LB 1114 (1996) codified in Sec. 77-3442 will reduce the property tax levying authority for community college areas such that beginning with FY 1998-99, the areas will be limited to a levy of 8 cents per one hundred dollars of valuation. Beginning with FY 2001-02, the areas will be limited to a levy of 4 cents per one hundred dollars of valuation. Prior to LB 1114 (1996), community college areas were authorized to levy up to 11.5 cents per one hundred dollars of valuation to support area operational expenses as well as up to 1.8 cents to support capital Improvements. Authority also was in place to exceed the 1.8 cent capital improvement levy to the extent necessary to fund accessibility barrier elimination and abatement of environmental hazards.

LB 269, as amended, would amend community college area levy limits scheduled to become effective with FY 1998-99. A summary of former, “LB 1114” and proposed LB 269 levy limits follows:

Levy Limit - Cents Per $100 of Valuation

	Former Limit*	LB 1114 Limit	LB 408 Proposed Limit*
1996-97	11.5 + 1.8 = 13.3		
1997-98	11.5 + 1.8 = 13.3		
1998-99		8	7 + 1 = 8
1999-00		8	7 + 1 = 8
2000-01		8	6 + 1 = 7
2001-02		4	6 + 1 = 7
Future		4	6 + 1 = 7

* Excluding indefinite amount authorized for accessibility barrier elimination and abatement of environmental hazards.

LB 269, as amended, would authorize a capital improvement levy (effective FY1 998 -99) for the community college areas of up to 1 cent per one hundred dollars of valuation which could be exceeded to the extent necessary to fund accessibility barrier elimination and abatement of environmental hazards. The levy rate authorized to support community college area operations would be established at 7 cents for FY1998-99 and FY1999-00, then lowered to 6 cents for FY2000-01 at which level it would be maintained.

LB 269, as amended, includes an affirmation statement indicating “community colleges should be financed through a funding partnership from property tax, state aid and tuition and other sources of revenue.” Provisions of the amended bill relating to changes in the statutory computation of the distribution of state aid appropriations among the six community college areas suggest a funding partnership in which property tax revenue and state aid each approximate 40 percent of total financing for community college operations. Based on FY1996-97 appropriated/budgeted amounts, state aid approximates $37.7 million or 32 percent of community college systemwide revenue sources totaling $116.7 million. Forty percent of the system’s total revenue sources for FY 96-97 approximates $46.7 million. In order for state aid to have represented 40 percent of FY1996-97 total revenue sources, an additional $9.0 million beyond the FY 96-97 state aid appropriation would have been required. If budget growth approximating 2.5 percent for FY1997-98 and FY1998-99 were assumed, an increase in state aid (as compared to the FY1996-97 level) approximating $9.5 million for FY1998-99 could be required in order to achieve an aggregate level of state aid by FY1998-99 which would approximate 40 percent of total community college system revenue sources. However, such an approach at an aggregate level falls to take into account the impact of now property tax levy rate caps at the individual community college area level. It is estimated that two of the six areas will be unable to generate 40 percent of total operating revenue (using FY1997-98 as a base year) from property taxes under the LB 269 levy rate cap for FY1998-99 and four of the six will be, unable to do so under the FY2000-01 levy rate cap. The above aggregate level approach also does not take into account amended provisions of the bill relating to distribution of state aid.

The amended provisions of LB 269 creates a new category of state aid (Community College Property Tax Relief and Equalization Program) for the community college system. The expressed intent of this aid category would be to provide additional state aid to community college areas unable to generate property tax revenue sufficient to support 40 percent of their total operating revenue or to community college areas that do not receive 40 percent of their operating revenue from state aid and that levy either the maximum allowable property tax rate or a minimum levy rate (6.3 cents for FY1998-99 and FY1999-00, 5.3 cents for FY2000-01 and thereafter) as provided in the bill (utilizing FY1997-98 operating revenue as a base year). Given a number of variables and nearly infinite combinations of assumptions that could be made regarding these variables, estimated levels of this category of state aid that would be required to satisfy the apparent Intent of the related provisions of the bill are difficult to conclude. Estimates compiled by the Nebraska Community College Association include several assumptions. Included among these assumptions are valuation growth projected to range from approximately 3 to 5 percent annually among the areas; systemwide tuition revenue estimated to increase approximately 5.5 percent in FY1997-98, 4.5 percent in FY1998-99 and 2.5 percent annually thereafter; enrollment growth ranging from no growth to 1.0 percent among the areas; and, systemwide total revenue growth of 3.3 percent in FY1997-98, 3.5 percent in FY1998-99 and 2.7 percent annually thereafter. Given several assumptions, the community college system estimates the following funding to satisfy the intent of this category of state aid and to avoid revenue shortfalls relative to property tax levy rate limitations to become effective with FY1998-99 and to be further limited effective with FY2000-01:

FY1998-99:	8,208,078
FY1999-00:	8,227,078
FY2000-01:	14,974,890

Note that such estimated funding represents amounts beyond the level of increased state aid funding recommended by both the Governor and Appropriations Committee for the FY1997-99 biennium. Both the Governor and the Appropriations Committee have, to this time, recommended a $2,159,255 total increase in state aid for the FY1997-99 biennium for the community college system as compared to the FY1996-97 state aid appropriation level.

Given the community college system’s assumptions which appear generally reasonable, these estimated additional date aid amounts appear reasonable. However, at least biennial review would be required in order to assess estimated funding levels that would be necessary to satisfy the apparent Intent of this category of state aid.

Other Impacts of LB 269:

LB 269 also makes changes relating to counties transferring the assessment function to we Property Tax Administrator. Under LB 269, as amended, if a county passes a resolution transferring the assessment function to the state, the county assessor and the employees of the county assessors office shall become state employees and such assessor and/or employees shall not incur a loss of Income or benefits as a result of becoming a state employee. This provision of the bill could result in a significant Increase in General Fund expenditures.

The Property Tax Administrator/Division states it is impossible to determine a fiscal impact as it is unknowable how many counties will pass resolutions transferring their assessment function and employees to the state. Based on their information, there is between $13.5 million to $15 million spent on the assessment functions. The division further states that If all 93 counties transferred this function to the state It could cost more than $15 million because the division does not know how the internal function and controls within each of the 93 counties operates.

THEREFORE, THE STATE COULD SEE INCREASED EXPENDITURES UP TO $15 MILLION, OR MORE, PER YEAR, DEPENDING ON HOW MANY COUNTIES, IF ANY, TURN THE ASSESSMENT FUNCTION OVER TO THE STATE.

There are also provisions in the bill relating to the transfer of sick and vacation leave. These provisions appear to require the county to reimburse the state for the applicable values of accrued leave transferred (25% for sick, 100% for vacation). The county allows more sick or vacation leave than the state, the county shall pay the state the difference. This appears to have no impact on state expenditures since the county is required to reimburse the state for what appears to be the full value of the leave transferred.

The bill also provides for the transfer of the county retirement amounts to the state retirement system. Retirement Systems states that they anticipate no fiscal impact to their agency.

Impact on Local Subdivisions: The portion of this bill that allows counties to turn over the responsibility for assessment of property to the Property Tax Administrator could result in a decrease of county expenditures up to $15 million, depending or how many counties, if any, turn this duty over to the state.

Another portion of this bill generally states that replacement tangible personal property shall have the same Nebraska adjusted basis as the converted property if replaced within 2 years with similar property, and if no gain or loss is recognized for state or federal income tax purposes. This provision is similar to LB 84, 1997.

The impact of this portion of the bill would probably result in a lower Nebraska adjusted basis than under current law for the affected personal property. Therefore, it would probably lower the net book value of the affected personal property for purposes of the property tax, and this would result in a tax shift from the lower valued property to all other property taxpayers. The amount of property that would qualify under this bill is unknown. However, because the personal property tax makes up a relatively small percentage of taxable property statewide, it is estimated that this shift will probably be minimal from a statewide perspective. Impacts on a specific political subdivision would depend on the percentage of the affected personal property to total property. This shift may vary between subdivisions and could Impact the measure of wealth for purposes of state aid to school distributions.

Another portion of this bill changes the distribution provisions of the Municipal Equalization Fund and states that if there is excess money in the Fund, it shall be transferred to and distributed under the Municipal infrastructure Redevelopment Fund.

Another portion of this bill states that a transit authority created by a metropolitan city shall have at least a 6 cent levy allocated to it if it requests such a levy. Three cents shall come from the county's 15 cent allocation amount for miscellaneous districts and three cents shall come from the city's levy amount. The levy limits of LB 1114, 1998, are not changed by this provision of the bill, simply reallocated.

COMMENTS

DEPARTMENT OF ADMINISTRATIVE SERVICES: Concur with Department of Administrative Services' analysis of AM1790.

DEPARTMENT OF REVENUE-PROPERTY TAX DIVISION: The amounts stated by the Property Tax Administrator represent the maximum impact of AM1790.

NEBRASKA COMMUNITY COLLEGES: The amount shown by the Community Colleges is the maximum amount of additional aid per LB 269 as amended.

NEBRASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM: Concur with Retirement Board analysis of AM1790.