

COMMITTEE STATEMENT
LB 989

HEARING DATE: January 22,1998

COMMITTEE ON: Revenue

TITLE: LB 989 (Coordsen, Hartnett, Hilgert, Landis, C. Peterson, Raikes, Schellpeper, Wickersham, Will Stuhr, at the request of the Governor) Change budget limits for political subdivisions and school districts

ROLL CALL VOTE - FINAL COMMITTEE ACTION

Advanced to General File

Y Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

6 Yes Senators Coordsen Hartnett. C. Peterson, Raikes, Schellpeper and Wickersham

1 No Senator Landis

0 Present. not voting

1 Absent Senator Will

PROPOSERS

Senator George

Governor Ben Nelson

Catherine Lang

Bryce Neidig

Dave Newell

John Bonaiuto

Chris Nelson

Virgil Home

REPRESENTING

Coordsen Introducer

State of Nebraska

Property Tax Administrator

Nebraska Farm Bureau

Department of Revenue

Nebraska Association of School Boards

Nebraska Council of School Administrators

Lincoln Public Schools

OPPOSERS

Jim Griess

Lynn Rex

REPRESENTING

Nebraska State Education Association

League of Nebraska Municipalities

NEUTRAL

Lou D'Ercole

Larry Bare

Scott Moore

REPRESENTING

City of Omaha

City of Lincoln

Secretary of State

SUMMARY OF PURPOSE AND/OR CHANGES

LB 989 is the Administration's proposal for extending the current spending caps beyond this year. Several changes are made from the current spending restrictions, but the basic structure of the current limitations, that is, expenditure limits on schools and revenue limits on other local governments remains. The lid is to be 2 1/2 percent, plus any population growth which is in excess of 2 1/2 percent. The lid may be exceeded by one percent with a three-fourths vote of the governing body and may be exceeded beyond that with a vote of the people. Capital improvement from the general fund would not be excluded, but provisions for creating sinking funds which would be excluded are provided. Carryover of unused budget authority is allowed, but limited.

Section by section the bill:

Section 1 would amend section 13-518 (the budget lid which applies to subdivisions other than schools) to insert a definition of allowable population growth as population growth which is in excess of 2 1/2 percent. As is currently the case, population growth is to be based on census updates where available, but may be estimated where unavailable. The current definition of population growth would be struck.

This section also adds a definition of qualified sinking fund as a separate account from the general fund for use in paying for capital improvements. Expenditures from a qualified sinking fund are not considered restricted funds, while amounts appropriated to a qualified sinking fund are restricted funds. Finally, the bill would include the proceeds from a local lottery within the definition of restricted funds.

Section 2 would amend section 13-519 to provide that beginning with the 1998-99 fiscal year, no local government (except schools) shall adopt a budget with an increase in restricted funds greater than 2 1/2 percent plus allowable population growth. New subsection (2) would allow a local government to exceed the allowable budget up to four percent to create a qualified sinking fund during the 1998-99 fiscal year only. New subsection 3 would reenact the existing allowance of an additional one percent with a three-fourths vote of the governing body, and the new subsection 4 would allow the allowable budget of restricted funds to be exceeded with approval at a public vote called for by majority vote of the governing body or a petition signed by at least five percent of the registered voters.

Section 3 would amend section 13-320 to strike an exception to the current limit on restricted funds for appropriations from a sinking fund.

Section 4 would amend section 13-321 to allow unused budget authority to carry over from the previous year, plus any unused allowable growth percentage, and plus three-fourths of any unused restricted funds authority achieved through a three-fourths vote to exceed. The total amount of unused budget authority is limited to 35 percent of the budget authority if the budget less than \$500,000, 25 percent, if it is between \$500,000 and \$1 million, and 15 percent if more than \$1 million.

Section 5 would amend section 79-1023 (the school budget limit of general fund operating expenditures) to strike obsolete provisions and limit the expenditure lid to Class II through VI school districts.

Section 6 would amend section 79-1025 to strike obsolete language and to lower the basic allowable growth range from 3 percent - 5 1/2 percent to 2 1/2 percent - 4 1/2 percent.

Section 7 would amend section 79-1026 to strike obsolete language and provide that beginning with the 1999-2000 school year, the Department of Education is to certify the allowable growth percentage calculated to four decimal places for each local system by the prior December 1st. Currently, the allowable growth percentage is calculated for each district by the previous July 1. The allowable growth percentage for each district is a linear interpolation which places schools with average or above average spending at the minimum growth rate (2 1/2 percent) and lower spending school districts arrayed above that figure with the very bottom spender at the maximum (4 1/2 percent).

Section 8 would amend section 79-1028 to strike obsolete language and an exception for capital improvements paid from a sinking fund. Since the limit is on general fund expenses anyway, building fund expenditures are outside by definition. This section also strikes an exception for expenditures for new programs required by state or federal law, an exception for Commission of Industrial Relations orders and an exception for settlements or judgments in contested cases. Finally, this section amends the student growth allowance by increasing the expected percentage growth which triggers an adjustment by the State Board of Education from 5 percent to 6 percent if the district has between 50 and 250 students, 3 percent to 4 percent if it has between 250 and 1,000 students, and 1 percent to 2 percent if it has over 1,000 students. If the district is in the 0 to 50 student category, the expected growth percentage would remain 10 percent. Also the language allowing an adjustment for any district which grows by 25 students would be removed. Any adjustment would also be calculated on December 1st.

Section 9 would amend section 79-1029 to strike obsolete language, and specify that a vote to exceed the levy limits in section 77-3444 and a vote to exceed the budget limits provided in the bill may be before the voters on the same question.

Pane 3

Section 10 would amend section 79-1030 to limit carryover in the same manner as detailed above in section 4. The only difference is that the smallest category of schools, those with a budget below \$500,000, would only be allowed a maximum 30 percent as a carryover, rather than 35 percent.

Section 11 provides that the act is to be operative for all fiscal years beginning on or after July 1, 1998

Section 12 repeals the original sections, and

Section 13 declares an emergency.

EXPLANATION OF AMENDMENTS. IF ANY

Section by section, the Committee amendments

Section 1 would amend section 13-518 (the budget lid which applies to subdivisions other than schools) to insert a definition of "allowable growth" as growth in valuation due to improvements to real property and increases in personal property valuation which is in excess of the base limitation rate, currently 2 1/2 percent as defined in section 12. The definition of capital improvement is narrowed to include only purchases of real estate and improvements to real estate. Allowable growth for community college areas would continue to be full-time student equivalent increase greater than the base limitation.

This section also adds a definition of qualified sinking fund as a separate fund or funds from the general fund for use in paying for acquisition or replacement of tangible personal property with a useful life of five years or more. Expenditures from a qualified sinking fund are not considered restricted funds while amounts appropriated to a qualified sinking fund are restricted funds. The amendment would include the proceeds from a local lottery within the definition of restricted funds if the local lottery is newly created. If it is an existing lottery, only proceeds in excess of the previous three-year average are included within the definition of restricted funds. The definition of state aid is amended to include proceeds from the motor vehicle fee and the Municipal Equalization Fund.

Section 2 would amend Section 13-519 to provide that beginning with the 1998-99 fiscal year, no local government (except schools) shall adopt a budget with an increase in restricted funds greater than the base limitation rate, plus allowable growth. For fiscal year 1998-99 only, the prior year base from which the increase is calculated shall be increased by the amount excluded as capital improvement for equipment purchases in the greater of the two prior years. New subsection (2) would allow a local government to exceed the allowable budget up to 4 percent to create a qualified sinking fund during the 1998-99 fiscal year only. New subsection (3) would reenact the existing allowance of 1 percent with the three-fourths vote of the governing body, and the new subsection (4) allows the allowable budget of restricted funds to be exceeded with approval at a public vote called for by majority vote of the governing body or a petition signed by at least 5 percent of the registered voters. New subsection (5) would allow villages and miscellaneous subdivisions subject to levy allocation to exceed the budget limit with a townhall vote as is found in section 77-3444. A single vote could exceed both the levy limits of section 77-3442 and the restricted funds limit in this bill.

Section 3 would amend section 13-320 to clarify that capital improvements are excepted from the limitation, as are appropriations from a sinking fund. The two-year limit on the interlocal agreement exception is also struck.

Section 4 would amend section 13-321 to allow unused budget authority to carry over from the previous year.

Section 5 would amend section 77-27,139.03 to cut off receipts from the Municipal Equalization Fund to a municipality to the extent the proceeds would have driven the levy below 40 cents for the prior year.

Section 6 would amend section 79-1023 (the school budget limit of general fund operating expenditures) to strike obsolete provisions and limit the expenditure lid to Class II through VI school districts.

Section 7 would amend section 79-1025 to strike obsolete language and to lower the basic allowable growth range from 3 percent - 5 1/2 percent to the base limitation rate to that rate plus 2 percent.

Section 8 would amend section 79-1026 to strike obsolete language and provide that the Department of Education is to certify the allowable growth percentage calculated to four decimal places for each Class II through VI district by the prior December 1st. Currently, the allowable growth percentage is calculated for each district by the previous July 1. The allowable growth percentage for each district is a linear interpolation which places schools with average or above average spending at the minimum growth rate and lower spending school districts arrayed above that figure with the very bottom spender at the maximum. A three-fourths vote of the governing body would be necessary for any increase greater than 2 1/2 percent.

Section 9 would amend section 79-1028 to strike obsolete language and an exception for capital improvements and bonded indebtedness. Since the limit is on general fund expenses, building fund expenditures are outside by definition. This section also strikes an exception for expenditures for new programs required by state or federal law, an exception for Commission of Industrial Relations orders, and an exception for settlements or judgments in contested cases.

Section 10 would amend section 79-1029 to strike obsolete language and specify that a vote to exceed the levy limits in section 77-3444 and a vote to exceed the budget limits provided in the bill may be before the voters on the same question.

Section 11 would amend section 79-1030 to clarify that the limitation applies to Class I through VI schools.

Section 12 is a new section which sets a base limitation amount for both the restricted funds limit and the expenditure limit on schools. The base limitation may be changed annually by the Legislature. The Revenue Committee is to hold a hearing by January 15th of each year to take testimony and reports on cost increases experienced by local governments.

Section 13 provides that the Act is to be operative for all fiscal years beginning on or after July 1, 1998.

Section 14 repeals the original sections, and

Section 15 declares an emergency.

Senator William R Wickersham, Chairperson
Committee on Revenue