

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.

see below.

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. 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 state 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.

NOTE: This fiscal note will be revised at a later date to address fiscal impacts of components of LB 269 relating to entities other than community college areas.