

**ONE HUNDREDTH LEGISLATURE - SECOND SESSION -
2008**

COMMITTEE STATEMENT

LB973

Hearing Date: January 29, 2008

Committee On: Education

Introducer(s): (Raikes)

Title: Change calculation of state aid to community colleges

Roll Call Vote - Final Committee Action:

Placed on General File with Amendments

Vote Results:

7 Yes Senators Adams, Ashford, Avery, Burling, Howard,
Kopplin, Raikes

0 No

1 Absent Senator Johnson

0 Present, not voting

Proponents:

Senator Ron Raikes
Dennis Baack

Representing:

Introducer
Nebraska Community College Association

Opponents:

Representing:

Neutral:

Carna Pfeil

Representing:

Coordinating Commission for Postsecondary
Education

Summary of purpose and/or change:

Overview

Legislative Bill 973 amends elements of the Community College Foundation and Equalization Aid Act passed by the Legislature as LB 342 in 2007. The aid formula would be amended to address issues raised since the passage of LB 342 dealing with definitions of property tax used in the formula, the role of the Coordinating Commission for Postsecondary Education in the data collection process, enrollment and need growth, and further definition of the average revenue remainder element of the formula for aid calculations in 2009-10. There also would be extraneous language stricken that was made irrelevant by amendments during debate on LB 342.

Section by Section Summary

Section 85-2212 would amend the definition of prior year revenue. It would be amended to specify that the lesser of property taxes levied or the result of using the local effort rate times the valuation base divided by one-hundred. It also would specify that prior year revenues would be reported on the accrual basis of accounting.

Section 85-2221 would be amended to clarify the role of the Coordinating Commission for Postsecondary Education. Instead of requiring the Commission to collect such data, each community college area would be required to report such data and provide a reconciliation of the data necessary to carry out the act with audited financial statement information.

Section 85-2223(1)(a) would be amended to clarify the growth rate used in the calculation of base revenue need. Such growth rate would not be less than zero and it would also take into account a three year average percentage growth.

Section 85-2223(1)(b) would be amended to allow the calculation of base revenue need to be the greater of ninety-five percent of the prior year or the current year calculation beginning in 2009-10. Such a change would provide a year to year floor in case of a sudden decline in need.

Section 85-2223(2)(b) and (c) would be amended to change the calculation of the average revenue remainder allowance and the average revenue remainder per full-time equivalent student. The amendment would strike full-time equivalent student and replace it with a three year average of reimbursable educational units.

Section 85-2224(3) would be amended to specify the taxable valuation certified pursuant to section 13-509 in the calculation of local effort rate. It would also be amended to specify tuition and fees that were reported on the accrual basis of accounting rather than “collected”. It would also be amended to strike references to and definitions of “reimbursable unit aid” and “system foundation aid”.

Section 85-2225 would be amended to clarify that equalization aid could not be less than zero.

Section 85-2228 would be amended to strike a reference to 85-2226 which is outright repealed.

Sections 85-2214, 85-2219, and 85-2226 dealing with reimbursable unit aid, system foundation aid, and total aid would be stricken. The language in these sections became extraneous to the calculation of aid with an amendment during debate on LB 342.

Explanation of amendments, if any:

The committee amendment would amend Legislative Bill 973 as follows:

Base Growth Rate:

Section 85-2205 would be amended to define the base growth rate as the base limitation described in section 77-3446 minus one-half percent for the 2008-09 calculation and would make the base growth rate the base limitation described in section 77-3446 plus one-half percent for 2009-10 and each fiscal year thereafter. Effectively it would be 2% for 2008-09 and 3% for 2009-10 and thereafter.

Maximum Levy Rate:

Section 85-2227 would be amended to make the maximum levy twenty percent above the local effort rate used in the formula. Currently, the maximum levy is fifteen percent above and the minimum levy is twenty percent below the local effort rate.

Average Annual Growth Rate:

The committee amendment would amend **Section 3 of the bill** to strike a reference to a past year and to strike language related to the calculation of a three-year average. The amendment would insert language to define the calculation of the average annual percentage growth to be used in the calculation of base revenue need. Definitions of terms would be added at the end of section 3 of the bill to define funding year and three-year full-time equivalent enrollment average. The growth rate calculation would rely on the three-year full-time equivalent enrollment average and would apply to 2008-09 as well as would apply to the calculation of aid in 2009-10 and years thereafter.

Base Revenue Needs “stabilization” rate:

Section 3 of the bill would also be amended to strike “ninety-five” and insert “ninety-eight” in reference to the percent of prior year base revenue need to stabilize total need for community college areas beginning in 2009-10.

The amendment also reinstates the stricken “per” that was unintentionally stricken in the bill.

Senator Ron Raikes, Chairperson