

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			See Below	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1080 decreases the maximum levy for school districts that are not in a learning community from \$1.05 to \$1.02 and adds an additional \$.05 levy for special building funds. The total levy is changed from \$1.05 to \$1.07. The bill also requires that bonded indebtedness incurred by a school district without voter approval is to be included in the levy limit. The bill is effective July 1, 2008.

The bill will have a fiscal impact on the amount of state aid (TEEOSA) allocated to school districts because the local effort rate in the formula is changed for school districts that are not in a learning community. The local effort rate in the aid formula is derived by taking the maximum levy for the year aid is calculated, less ten cents. The bill provides that the maximum levy for school districts not in a learning community is \$1.02 plus \$.05 for special building funds. It is unclear whether the local effort rate will be based upon \$1.02 or \$1.07. Using the 2008-09 certification of state aid, if the local effort rate for schools not in a learning community had been based upon a maximum levy of \$1.02, rather than \$1.05, then state aid would have increased by approximately \$23.5 million. If the local effort rate had been based upon \$1.07, rather than \$1.05, then state aid would have decreased by an estimated \$15.4 million. (See DAS Budget Fiscal Note Comments)

Currently, under the maximum \$1.05 levy, schools may use tax proceeds for the general operating budget and for the special building fund. The fiscal impact for a school district of changing to a \$1.02 maximum levy for the general operating budget and a \$.05 levy for special building funds will depend upon what portion of the existing levy is used for the general fund operating budget and whether part of the levy is used for special building funds. Using current year data, a \$.03 decrease in levy authority for 40 school districts using the entire \$1.05 levy for general fund operations would result in a loss of \$4.2 million of property taxes. There is also a potential loss of \$6.4 million of tax receipts for 90 schools that are levying in excess of \$1.05, if they must decrease their levy by \$.03 in order to have a \$1.02 levy for the general fund operating budget.

The bill also allows up to a \$17.6 million increase in property taxes levied statewide if every school district not in a learning community levied an additional \$.02 as allowed by the bill. The actual fiscal impact on property tax receipts will vary by school district depending upon the general operating budget levy and special building fund needs of the district.

The provisions for the bill requiring that bonded indebtedness incurred by a school district without voter approval are to be included within the levy limit will have a fiscal impact for some school districts which currently issue bonds for insurance purposes or for qualified capital purposes without voter approval. The 2007 Certificate of Taxes Levied shows that four school districts currently issue bonds for insurance purposes. The bill provides that the indebtedness will no longer be excluded from the levy limit.

The Annual Finance Report for School Districts shows \$11.8 million of debt service for the Qualified Capital Purpose Undertaking Fund in 2006-07. The report also shows \$51.5 million of bonds outstanding for the fund at year end. Since voter approval is not required to levy property taxes for capital projects paid for by this fund, it is assumed the bonded indebtedness for the projects will no longer be excluded from the levy limit.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	DATE	2/20/08	PHONE	471-2526
<p>COMMENTS</p> <p>DEPT. OF EDUCATION - Assuming that the language in LB 1080 represents a <i>maximum levy</i> of \$1.07---and therefore a Local Effort Rate of \$0.97---, LB 1080 would have resulted in \$18.1 million of <u>additional</u> local effort rate yield in the FY2008-09 TEEOSA Formula for the 243 school systems outside the Learning Community. However, <u>after equalization</u> at the individual school system level, the additional formula resources would appear to reduce TEEOSA Equalization Aid by approximately \$15.4 million. At the proposed \$0.97 Local Effort Rate, 55 school systems would receive no equalization aid, or four more than under the current LER of \$0.95.</p> <p>If the language in LB 1080 is interpreted as a <i>maximum levy</i> of \$1.02---and therefore a Local Effort Rate of \$0.92---, LB 1080 would have resulted in \$27.2 million of <u>reduced</u> local effort rate yield in the FY2008-09 TEEOSA Formula for the 243 school systems outside the Learning Community. However, after equalization at the individual school system level, the additional formula resources would appear to increase TEEOSA Equalization Aid by approximately \$23.5 million.</p>					