

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

Under provisions of LB651, the authority of community college area boards to levy property taxes would be eliminated after 2014-15. In order to maintain current services provided by community colleges, an alternative revenue source or sources would be required to offset lost property tax revenue beginning with 2015-16. Governance of the community colleges would continue to be vested with six community college area boards of governors. For purposes of this fiscal note, it is assumed the community college area boards would seek state General Fund appropriations for 2015-16 in amounts sufficient to at least maintain 2014-15 state funding and, in addition, replace lost property tax revenue.

According to 2012 certificates of taxes levied, the community college areas have levied property taxes totaling \$132,594,543 to support 2012-13 area operating budgets. Assuming a revenue realization rate of 97% (netting 1% for county treasurer collection fees and 2% for delinquencies and uncollectibles) yields an estimated 2012-13 annualized property tax revenue level of \$128,616,707. According to supporting information supplementing the 2013-15 community college system state aid request, property tax revenue to support systemwide operating budgets for 2012-13 is budgeted at \$128,428,079. Levels of property taxes levied and budgeted for 2013-14 and 2014-15 will be significantly dependent upon the levels of state aid appropriated for community college areas for the 2013-15 biennium. As such, estimating the level of levied and budgeted property taxes for 2014-15 for which replacement funding is likely to be sought for 2015-16 is indeterminate. However, unless community college state aid appropriations are increased substantially for the 2013-15 biennium, the level of property tax replacement funding that would be sought for 2015-16 very likely would not be less than the \$128,428,079 budgeted for 2012-13.

For 2012-13, systemwide community college area property tax levies for capital improvements amount to \$17,801,863. Assuming a revenue realization rate of 97% (netting 1% for county treasurer collection fees and 2% for delinquencies and uncollectibles) yields an estimated 2012-13 annualized property tax revenue level of \$17,267,807 to support community college area capital improvements. LB651 will eliminate community college area property tax levying authority to support capital improvements. Elimination of the related property tax levying authority will place new demands on state General Fund appropriations for capital projects as community college areas will presumably request state funding in absence of property tax revenue for such purpose. The extent to which the Legislature may respond to such requests is indeterminate. Elimination of the related property tax levying authority will presumably also place additional significant demands upon the Task Force for Building Renewal for allocation of some portion of its limited resources for building renewal projects across the community college system.

In addition to the foregoing, elimination of community college area property tax levying authority in 2015-16 will presumably necessitate liquidation of that portion of outstanding community college long-term liabilities that relies on property tax revenue to meet annual debt service payments. A review of community college area financial audits reflects such outstanding long-term obligations amount to \$39,208,169 as of June 30, 2012. Adjusting for principal reductions scheduled for 2012-13, 2013-14 and 2014-15; it is estimated that at least \$32,012,533 of obligations reliant on property tax revenue for debt service payments will be outstanding at the close of 2014-15 and will require some provision for liquidation upon elimination of community college area property tax levying authority.

While not explicitly required by LB651, the Department of Administrative Services (DAS) may propose that it provide certain central services to the proposed state-funded (versus locally and state-funded) community college areas in the manner by which central services are currently provided to agencies of state government. Related adjustments to revolving fund appropriation authority may be proposed by DAS to accommodate provision of certain central services to community college areas beginning in 2015-16 or thereafter. However, any estimate of what might be proposed in this regard would be speculative at this point.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 651	AM:	AGENCY/POLT. SUB: Community Colleges	
REVIEWED BY: Matthew Eash		DATE: 3/4/2013	PHONE: 402-471-4175
COMMENTS: Beginning in FY 2015-16, LB 651 would eliminate property taxing authority for Community Colleges and allow as resources state aid, tuition receipts, and "other sources." Community Colleges' aggregate Certified Tax Levies for calendar year 2012 were \$150.4 million.			

Please complete ALL (5) blanks in the first three lines.

2013

LB⁽¹⁾ 651 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Community College Association

Prepared by: ⁽³⁾ Dennis Baack Date Prepared: ⁽⁴⁾ January 31, 2013 Phone: ⁽⁵⁾ 402-471-4685

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

General & Capital Improvement & ADA Property Tax Collections – Fiscal Year 2011-2012

Central Community College	\$35,111,930
Metropolitan Community College	\$23,782,017
Mid-Plains Community College	\$10,050,877
Northeast Community College	\$17,018,839
Southeast Community College	\$23,782,017
Western Community College	\$ 8,735,294
TOTAL	\$139,646,004

The fiscal impact of LB 651 would be a loss of property tax revenue for the six community colleges. For the 2011-2012 year, the community colleges raised property tax revenue of \$139,646,004 which includes the General Fund, Capital Improvement Fund, and ADA Fund Collection of property taxes. There would be an additional fiscal impact on the State of Nebraska as the state would have to take responsibility for all repair and maintenance of the community college facilities.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2013

LB⁽¹⁾ 651 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Metropolitan Community College Area

Prepared by: (3) David Koebel Date Prepared: (4) 1/28/2013 Phone: (5) 402-457-2391

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	<u>\$46,225,647</u>	_____	<u>\$47,150,160</u>
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	<u>(\$46,225,647)</u>	_____	<u>(\$47,150,160)</u>
TOTAL FUNDS	<u>_____</u>	<u>\$0</u>	<u>_____</u>	<u>\$0</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

MCC has also reported these numbers to the NCCA. They will report the statewide impact.

CCs total property tax collection for FY 2011-12 was \$44,430,649. \$5,305,019 of the total was for the Capital Fund.

It is also important to note that the Capital Fund has \$11,390,000 in bonds payable outstanding as of 6/30/2012 that relies on the Capital Fund levy to pay off the bonds.

General Fund	\$52,878,878,900 times .0750 cents per \$100 for	\$39,659,159
Capital Fund	.0100	\$5,287,888
For a total including the treasurer's & delinquent percents		\$44,947,047

Using the levied amount above, I have increased the property tax revenue by 2% per year and show the total property tax revenue replaced by General Fund (State Appropriations) and reduced Other Funds (Property Tax - General & Capital Fund).

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____