

Revised on 1/26/07 to correct amounts cited as community college area operating and capital levies for 2006-07.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

Under provisions of LB238, the authority of community college areas to levy property taxes would be eliminated after 2008-09. 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. The bill provides that governance of the community colleges would be vested in a newly created Board of Trustees of the Nebraska Community Colleges. Current elected community college area boards of governors would effectively be converted to appointed local advisory boards. For purposes of this fiscal note, it is assumed the new Board of Trustees would seek state General Fund appropriations in amounts sufficient to replace lost property tax revenue.

According to 2006 certificates of taxes levied, the community college areas have levied property taxes totaling \$83,840,819 for 2006-07 to support 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 2006-07 annualized property tax revenue level of \$81,325,594. According to supporting information accompanying the 2007-09 community college system state aid request, property tax revenue to support systemwide operating budgets for 2006-07 is budgeted at \$81,425,372. Levels of property taxes levied and budgeted for 2007-08 and 2008-09 will be significantly dependent upon the levels of state aid appropriated for community college areas for the 2007-09 biennium. As such, estimating the level of levied and budgeted property taxes for 2008-09 for which replacement funding is likely to be sought for 2009-10 is indeterminate. However, unless community college state aid appropriations are increased substantially for the 2007-09 biennium, the level of property tax replacement funding that would be sought for 2009-10 very likely would not be less than the \$81,425,372 budgeted for 2006-07.

LB238 (Sec. 60 & 61) provides that obligations of Community College Boards of Governor's incurred before July 1, 2009 are to be paid pursuant to appropriation by the Legislature on that date. For purposes of this fiscal note, these obligations are interpreted to represent long-term obligations reliant upon property tax levies for repayment. It is further assumed that outstanding revenue bond obligations could be refinanced as obligations of the successor Board of Trustees of the Nebraska Community Colleges and that revenues currently pledged for repayment of these revenue bonds would be sufficient in the future to retire the related obligations. A review of June 30, 2006 financial audits reflects outstanding long-term obligations that are reliant upon property tax levies for repayment. These obligations amount to \$25,372,097. Principal reductions scheduled for 2006-07 amount to \$1,462,941. An additional debt issue approximating \$3,500,000 is anticipated to become an obligation early in 2007. Given the foregoing, long-term obligations reliant on property tax levies for repayment that are estimated to be outstanding at the close of 2006-07 are estimated to amount to \$27,409,176.

For 2006-07, systemwide community college area property tax levies for capital improvements amount to \$11,989,257. Assuming a revenue realization rate of 97% (netting 1% for county treasurer collection fees and 2% for delinquencies and uncollectibles) yields an estimated 2006-07 annualized property tax revenue level of \$11,629,579 to support community college area capital improvements. LB238 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 the newly created Board of Trustees of the Nebraska Community Colleges requests related funding. The extent to which the Legislature would respond to such demands 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 available resources for building renewal projects across the community college system.

Presently, coordination of certain functions and activities of the six community college area boards of governors is conducted through an association of the boards. Each of the areas pays annual dues which support an association office staffed with an executive director and one support position. The newly created Board of Trustees of the Nebraska Community Colleges will have systemwide governance authority and responsibility. Given the governance function of the new board of trustees, it appears likely the board may seek a level of central office staffing at some level greater than that of the existing Nebraska Community College Association office. By way of example, the Nebraska State College System maintains a central system office staff of eight personnel.

Provisions of the bill creating the Board of Trustees of the Nebraska Community Colleges become operative on July 1, 2009 as do most of the provisions of the bill. Given complexities that likely are to be associated with a transition from the six existing and independent community college area boards of governors to a single statewide governing board with six local advisory boards and the accompanying transfer of property rights, titles, assets, contracts and obligations; some provision for associated transition costs and some formal structure to accommodate the transition prior to July 1, 2009 may be worthy of consideration.

Effectively converting the community colleges from six independent political subdivisions to an agency of state government will likely impact certain central services supplied by the Department of Administrative Services (DAS) to agencies of state government. Adjustments to revolving fund appropriation authority may be proposed by DAS to accommodate provision of certain central services to the newly constituted state system of community colleges. No estimate of such adjustments is currently available.