

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

The board of governors of each of the state’s six community college areas is authorized to levy up to a total property tax levy rate of total 11.25¢ per \$100 valuation. Up to 2.0¢ per \$100 valuation of this total is authorized to be levied for capital improvements within the overarching 11.25¢ limit. A community college area with a campus located on the site of a former ammunition depot is authorized to levy up to an additional 0.75¢ per \$100 valuation to eliminate accessibility barriers and abate environmental hazards. Apparently, only the Central Community College Area meets this criterion to levy this additional amount authorized for elimination of accessibility barriers and abatement of environmental hazards.

2014 tax levy rates (per certificates of taxes levied) for the respective community college areas are as follows:

	<u>Levy Rates --- Cents per \$100 Valuation</u>				
	Operating	Capital		Exempt	Net
	<u>Expenses</u>	<u>Improvements</u>	<u>Total</u>	<u>from .1125</u>	<u>Subject to</u>
CENTRAL	0.082959	0.027500	0.110459	(0.007500)	0.102959
METROPOLITAN	0.075001	0.020000	0.095001	0.000000	0.095001
MID-PLAINS	0.065000	0.016975	0.081976	0.000000	0.081976
NORTHEAST	0.079000	0.020000	0.099000	0.000000	0.099000
SOUTHEAST	0.049800	0.010000	0.059800	0.000000	0.059800
WESTERN	0.081522	0.019010	0.100532	0.000000	0.100532

LB144 proposes to reduce the total property tax levy rate limit for community college areas by increments of one cent annually over a period of five years, ultimately decreasing the limit from the current 11.25¢ to 6.25¢ over the five year period. For purposes of this fiscal note it is assumed that the incremental reductions are to begin with tax levies to be certified in in 2015. Given variation in existing levy rates across the six areas it appears that the respective areas would begin to be impacted by the incremental reductions as follows:

- Year 1 -- Central
- Year 2 -- Metropolitan, Northeast & Western
- Year 4 -- Mid-Plains

The Southeast Area’s most recent total tax levy rate falls below the 6.25¢ limit to which the total levy rate limit is to be reduced according to LB144.

As the total levy rate limit would be reduced, the respective areas would presumably need to respond to the declining source of revenue by considering actions subject to their control, that is, tuition and fee rate increases to replace lost revenue and budget reductions to reduce expenditures or some combination of the two. It would appear likely that the community college areas would also seek increased state aid appropriations to offset declines in the property tax revenue source; however, increased state aid appropriations would be at the discretion of the Legislature and subject to a statutory aid distribution formula.

Based upon 2014 certified taxes levied, each 1¢ of property taxes levied translates to the following gross property taxes levied for the respective community college areas:

	Each 1 Cent of Levy Rate <u>Yields</u>
CENTRAL	4,630,305
METROPOLITAN	5,583,578
MID-PLAINS	1,648,648
NORTHEAST	2,758,728
SOUTHEAST	4,928,583
WESTERN	<u>1,067,197</u>
	20,617,040

Distribution of state aid among the community college areas is governed by provisions of the Community College Aid Act as codified in sections 85-2231 to 85-2237. Specifically, Sec. 85-2234 provides that the initial \$87,870,147 of community college aid is to be allocated in the same proportion as was specified for 2012-13. If the amount appropriated for state aid to community college areas for 2013-14 or future years is less than the \$87,870,147 appropriated for 2012-13, the amount appropriated is to be allocated in the same proportions as was the case for 2012-13. If the amount appropriated for 2013-14 and future fiscal years is greater than the \$87,870,147 appropriated for 2012-13, the excess amount is to be allocated as follows:

- (a) Up to but not to exceed \$500,000, is to be allocated as aid or grants as determined by the Nebraska Community College Student Performance and Occupational Education Grant Committee according to provisions of section 85-1539. Of the excess amount remaining after (a) above,
- (b) 25% is to be divided equally among the six community college areas;
- (c) 45% is to be allocated based on each community college area's most recent three-year average full-time equivalent enrollment; and,
- (d) 30% is to be divided based on each community college area's most recent three-year average reimbursable educational units. Reimbursable educational units (as defined in Sec. 85-1503) represent a weighted measure of full-time equivalent enrollment that weights enrollment in applied technology courses more heavily than enrollment in general academic courses.

Section 2 of LB144 strikes "\$87,870,147" as it appears in the aid distribution formula provisions of subsection (1) of Sec. 85-2234, and in its place inserts "\$XXX". The impact of this change is indeterminate without a value identified for "XXX".