

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	3,500 – See below		3,500 – See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	3,500 – See below		3,500 – See below	

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

LB 569 would establish a nine-member Community College Task Force for the purpose of evaluating duplication of educational services and funding sources for community colleges. The task force is to develop a report by December 1, 2018 outlining findings related to duplication of educational services, cost of funding duplicate services, and cost of outstanding bond obligations. The report is also to recommend alternative funding mechanisms for community colleges. The task force would terminate on January 1, 2020.

The Legislative Council estimates Community College Task Force travel reimbursement costs associated with the Community College Task Force at \$3,500 for 2017-18 and 2018-19 assuming five Task Force meetings annually. The estimate appears reasonable.

In addition to provisions relating to the Community College Task Force, LB569 provides that the authority of community college area boards to levy property taxes would be eliminated after FY2019-20. 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 FY2020-21. For purposes of this fiscal note, it is assumed that governance of the community colleges would continue to be vested with six community college area boards of governors and that the community college area boards would seek state General Fund appropriations for FY2020-21 in amounts sufficient to maintain FY2019-20 state funding and, in addition, replace lost property tax revenue.

According to 2016 certificates of taxes levied, community college areas have levied property taxes totaling \$164,966,159 to support FY2016-17 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 net property tax revenue level of \$160,017,174 to support FY2016-17 community college area operating budgets. Levels of property taxes levied to support FY2017-18 through FY2019-20 community college area operating budgets will be significantly dependent upon levels of state aid appropriated for community college areas for the related fiscal years. As such, estimating the level of levied property taxes for FY2019-20 community college area operating budgets for which replacement funding is likely to be sought for FY2020-21 is indeterminate. However, assuming a 2.5% increase in amounts levied for each of FY2017-18, FY2018-19 and FY2019-20 yields \$172,320,995 as an estimate of the minimum level of net property tax revenue replacement funding for which additional state appropriations may be sought for community college area operating budgets for FY2020-21 if LB569 were to be enacted.

For FY2016-17, systemwide community college area property tax levies for capital improvements (including elimination of accessibility barriers and removal of hazardous materials) amount to \$46,343,001. Assuming a revenue realization rate of 97% (netting 1% for county treasurer collection fees and 2% for delinquencies and uncollectibles) yields an estimated net property tax revenue level of \$44,952,711 to support FY2016-17 community college area capital improvement budgets. LB569 will eliminate community college area property tax levying authority to support capital improvements. Elimination of this 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 this 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 on 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 after FY2019-20 will presumably necessitate liquidation of that portion of outstanding community college long-term debt obligations 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 amounted to \$65,281,719 as of June 30, 2016. Adjusting for principal reductions scheduled for FY2016-17 through FY2019-20, it is estimated that \$52,502,027 of currently outstanding obligations that are reliant on property tax revenue for debt service payments will remain outstanding at the close of FY2019-20. Some provision for liquidation of these obligations will be required upon elimination of community college area property tax levying authority.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 569	AM:	AGENCY/POLT. SUB: Legislative Council
REVIEWED BY: James Van Bruggen	DATE: 1/25/17	PHONE: <a href="tel:4024714179">(402) 471-4179</a>
COMMENTS: Agree with the Legislative Council's statements. The bill also would sunsets three provisions relating to community colleges and property taxes. In the instance these three items sunset, the community colleges would have to either cut expenses, request more state funding, and/or increase tuition and fees.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 569	AM:	AGENCY/POLT. SUB: Nebraska Community College Association
REVIEWED BY: James Van Bruggen	DATE: 1/30/17	PHONE: <a href="tel:4024714179">(402) 471-4179</a>
COMMENTS: The bill does sunset authority to levy various property taxes for community colleges.		

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

**2017**

**LB<sup>(1)</sup> 569**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> 03 Legislative Council

Prepared by: <sup>(3)</sup> Diane Nickolite Date Prepared: <sup>(4)</sup> 1/23/2017 Phone: <sup>(5)</sup> 402-471-2226

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>3,500</u>	<u></u>	<u>3,500</u>	<u></u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u>3,500</u>	<u></u>	<u>3,500</u>	<u></u>

**Explanation of Estimate:**

Creation of Community College Task Force consisting of nine (9) members; 7 of those members are non-state employees consisting of two representatives of community college, one from school district, one experience in workforce development, one experience in business management, and two property taxpayers. Costs for travel expenses for 5 meetings is estimated at \$3,500 annually. Task force terminates on January 1, 2020.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	<u></u>	<u></u>	<u></u>	<u></u>
Operating.....	<u></u>	<u></u>	<u></u>	<u></u>
Travel.....	<u></u>	<u></u>	<u>3,500</u>	<u>3,500</u>
Capital outlay.....	<u></u>	<u></u>	<u></u>	<u></u>
Aid.....	<u></u>	<u></u>	<u></u>	<u></u>
Capital improvements.....	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL.....	<u></u>	<u></u>	<u>3,500</u>	<u>3,500</u>

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

**2017**

**LB<sup>(1)</sup> 569**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Community College Association

Prepared by: <sup>(3)</sup> Greg Adams Date Prepared: <sup>(4)</sup> 1/24/2017 Phone: <sup>(5)</sup> 402-471-4685

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

**Explanation of Estimate:**

The estimated loss in property tax revenue in budget year 2019-20 is based on the 2016-17 property tax requests of the six community college areas, multiplied by 3.5% annually (2.5% + 1.0%), holding current levies constant, and not calculating in any access to unused authority. The total estimated property tax loss for 2019-20 would be \$227,013,370.54.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18 EXPENDITURES</u>	<u>2018-19 EXPENDITURES</u>
	<u>17-18</u>	<u>18-19</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____