

**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 narrative for the impact beyond FY09-10.	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 741 changes the allocation of revenue received from the motor vehicle tax. Specifically, the allocation to schools is reduced from 60% to 55%, with this 5% being reallocated to counties, cities and villages for use on road and street maintenance and improvement.

It is estimated that the shift in revenue from schools to counties/cities/villages will be approximately \$4.9 million in FY08-09 due to the January 1, 2009 operative date, and \$9.8 million in FY09-10. The additional revenue allocated to counties, cities and villages will be used for street and road maintenance/improvements.

The loss of motor vehicle tax revenue to schools will be replaced by General Funded state aid two years after the loss for those school districts that are equalized. It is estimated that General Fund expenditures for school aid will increase \$4.4 million in FY10-11, and \$8.9 million in FY11-12. For those school districts that are non-equalized the estimated loss of revenue of \$482,000 in FY08-09, and \$964,000 in FY09-10, will not be replaced with state aid.

**DEPARTMENT OF ADMINISTRATIVE SERVICES**

REVIEWED BY	Lynn Heaton	DATE	1/28/08	PHONE	471-2526
<b>COMMENTS</b>					
DEPARTMENT OF EDUCATION: The Department's estimate is flawed. Changing the allocation of motor vehicle tax proceeds to local school systems from 60 to 55 percent would have reduced this funding from \$188.0 million to \$108.2 million statewide (i.e., a \$9.8 million loss) in FY2006-07.					
The \$9,836,000 funding loss reduces formula resources under TEEOSA (Tax Equity and Educational Opportunity Support Act) and results in additional General Fund aid for equalized school systems. Based on FY2007-08 system-level TEEOSA formula calculations (without the Aid Adjustment Factor), LB 741 would increase TEEOSA aid by \$8,872,000.					
Since LB 741 has impact for just half of FY2008-09 and since formula resources affect aid calculations two years hence, LB 741 would result in \$4,436,000 in additional TEEOSA General Fund Aid in FY2010-2011 and \$8,872,000 in FY2011-2012. Non-equalized school systems would lose approximately \$964,000 in funding and may need to replace those revenues with property taxes. (William Scheideler)					
DOUGLAS COUNTY: No basis upon which to disagree.					
LANCASTER COUNTY: No basis upon which to disagree.					
CITY OF OMAHA: No basis upon which to disagree.					