

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$12,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$12,000,000	

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

LB 362 eliminates an exception to the budget lid for political subdivisions. The bill provides that interlocal agreements will no longer be excluded from the budget lid for schools and other political subdivisions. The bill also changes the base limitation rate for school districts and the limitation on growth of restricted funds for other political subdivisions from 2.5% to 2.75% in 2007-08 and 2008-09. The Auditor of Public Accounts is given the authority to examine any joint entity created pursuant to the Interlocal Cooperation Act. The bill has an operative date of July 1, 2007.

Schools and other political subdivisions involved in these interlocal agreements will no longer be able to exclude the expenditures for the interlocal agreements from the budget lid. Information submitted to the State Auditor by school districts for 2006-07 budgets shows \$98.6 million of interlocal agreements. Budget information submitted by other political subdivisions, including agricultural societies, airport authorities, community redevelopment authorities, counties, cemetery districts, fire districts, natural resource districts, sanitary improvement districts, health departments, cities, villages, community colleges, educational service units, and townships shows \$217.1 million of interlocal agreements in 2006-07.

The elimination of the budget exclusion for these expenditures will have a fiscal impact on spending for the affected schools and political subdivisions. Some school districts and political subdivisions may have unused budget authority that can be accessed to allow a continuation level of spending if the agreements are included under the budget lid. Other schools and political subdivisions will need to adjust spending to stay within the budget lid or may go to a vote to exceed the budget lid.

The .25% increase in the allowable growth rate for schools provided for 2007-08 and 2008-09 allows some growth in spending. It is estimated the increase in the allowable growth rate will allow schools to spend approximately \$6 million more in 2007-08 and \$12 million more in 2008-09 and thereafter. However, as previously mentioned, the exclusion of interlocal agreements from the budget lid may decrease school spending by up to \$98.6 million beginning in 2007-08. So, the net decrease in school spending may be up to \$92.6 million in 2007-08 and \$86.6 million beginning in 2008-09, depending upon whether schools are at their budget limit or go to a vote to exceed their budget authority.

The change in the allowable growth rate for schools changes state aid (TEEOSA) in two ways. First, is a change in the calculation of the cost group factor in the formula since the allowable growth rate is used to calculate the cost grouping costs. This change will increase state aid paid to schools by an estimated \$12 million in 2008-09 and \$6 million in 2009-10.

Secondly, the increase in the allowable growth rate allows schools to spend at a higher rate. Schools will be able to spend an additional \$6 million in 2007-08 and \$12 million thereafter. This change increases state aid two years after the spending increase occurs. However, as previously mentioned, the exclusion of interlocal agreements from the budget lid may decrease school spending by up to \$92.6 million in 2007-08 and \$86.6 million beginning in 2008-09. The overall net change in state aid will be a \$12 million increase in 2008-09 and an \$86.6 million decrease in 2009-10 and 2010-11 and a \$92.6 million decrease in 2011-12 and thereafter.

It is assumed the bill will also decrease overall spending by other political subdivisions beginning in 2007-08 by up to \$217.1 million, less the amount of increased spending allowed by the .25% increase in the growth rate for restricted funds and increased spending for subdivisions not currently at their budget lid.

The bill will not have any fiscal impact for the Auditor of Public Accounts because the Auditor is allowed to charge any joint entity created pursuant to the Interlocal Cooperation Act for the cost of an examination.

LB362
DAS Comment

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS			
COMMUNITY COLLEGE ASSOCIATION – No fiscal impact.			