

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below	See Below	See Below	See Below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

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

LB 583 makes a number of changes to the Nebraska sales tax and property tax systems as described below:

- o Changes the current state sales tax rate from 5.5% to an undetermined amount, effective January 1, 2010.
- o Imposes a sales tax on all services other than medical services:
- o Imposes a sales tax on food except food or food ingredients purchased with food stamps:
 - The Department of Revenue estimates an increase in sales and use tax revenue of the following as a result of the broadening of the sales tax base (at the current 5.5% tax rate):
 - o FY2009-10: \$198,135,703
 - o FY2010-11: \$607,301,644
 - o FY2011-12: \$621,074,822
- o Creates a food sales tax credit as a refundable credit against Nebraska income tax:
 - The Department of Revenue estimates the impact to the General Fund as a result of the food sales tax credit to be as follows:
 - o FY2009-10: (\$ 0)
 - o FY2010-11: (\$21,540,000)
 - o FY2011-12: (\$21,863,000)
- o Requires the Department of Revenue to create a public awareness campaign to inform the public of the availability of the food sales tax credit.
- o Changes the maximum levy for school districts and multiple-district school systems that are not members of a learning community from \$1.05 per one hundred dollars of taxable valuation to an undetermined amount;
- o Changes the maximum levy for learning communities used to fund the general fund budget of member school districts from \$0.95 per one hundred dollars of taxable valuation to an undetermined amount;
- o Changes the amount that school districts that are members of a learning community may levy for purposes of their general fund budget and special building fund from a maximum of the difference of \$1.05 per one hundred dollars of taxable valuation and the amount the learning community may levy for member school district's general fund budget and special building funds (currently \$0.95 and \$0.02 respectively) to an undetermined amount:
 - We are unable to determine the fiscal impact of these proposed changes due to the undetermined amount of the new levy.

- Provides that the compensation of all employees of school districts, educational service units, and learning communities is the financial responsibility of the State and is to be paid from the State General Fund. This includes salary, retirement, health insurance, disability insurance, and all other financial employment concerns:
 - The Department of Education reports that expenditures by school districts for the above items in 2007-08 was \$2,123,014,989 and for Educational Service Units expenditures for the above items for the same period was \$76,863,005, for a total of \$2,199,877,994.
 - The impact to the General Fund would be (\$2,199,877,994).
- Requires that all transportation costs for school districts, educational service units, and learning communities are the financial responsibility of the State and are to be paid from the State General Fund:
 - The Department of Education reports that expenditures by school districts for transportation in 2007-08 were \$53,229,249 and for Education Services Units transportation costs for the same period were \$31,350, for a total of \$53,260,599.
 - The impact to the General Fund would be (\$53,260,599)
- Eliminates general levy authority for community colleges:
 - The Community College Association estimates that the current levy collected approximately \$97.1 million of local property taxes for 2007.
 - More recent data indicates that the community college levy collected approximately \$105.8 million of local property taxes for 2008.
- Provides that funding of community college areas shall be the State's responsibility and paid from the State General Fund:
 - The Department of Revenue estimates the impact to the State's General Fund as a result of this requirement to be as follows:
 - FY2009-10: (\$ 40,201,000)
 - FY2010-11: (\$128,874,000)
 - FY2011-12: (\$137,710,000)
- Creates the Property Tax Relief and Reorganization Fund, which is to be used to provide property tax relief. The bill does not specify a revenue source for the fund or give any guidance as to how property tax relief is to be provided using this fund.
- Repeals county sales and use tax authority;
- Repeals municipal county sales and use tax authority;
- Repeals incorporated municipalities sales and use tax authority:
 - The Department of Revenue estimates the impact on local governments from the repeal of local option sales taxes is expected to be a loss of the following:
 - FY2009-10: (\$301,546,000)
 - FY2010-11: (\$305,958,000)
 - FY2011-12: (\$318,932,000)
 - FY2012-13: (\$311,897,000)
- Provides an operative date of January 1, 2010.

The Department of Revenue estimates the following costs to the Department to implement the provisions of LB 583:

	<u>FY2009-10:</u>	<u>FY2010-11:</u>	<u>FY2011-12:</u>
FTE Required:	42	71	71
FTE Salary:	\$1,941,000	\$3,168,000	\$3,248,000
FTE Benefits:	\$ 648,000	\$1,061,000	\$1,087,000
Operating Expenses:	\$ 313,200	\$ 306,900	\$ 105,000
Travel Expenses:	\$ 116,000	\$ 119,000	\$ 122,000
 Total Cost:	 \$3,018,200	 \$4,654,900	 \$4,562,000

The net fiscal impact to the General Fund of LB 583 is estimated to be as follows (because a new sales tax rate was not specified by the bill, the current rate of 5.5% was used to estimate sales tax revenue):

FY2009-10: (\$ 930,203,092)
FY2010-11: (\$1,762,913,456)
FY2011-12: (\$1,802,695,300)

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	2/10/09	PHONE	471-2526
COMMENTS					
NEBRASKA DEPARTMENT OF EDUCATION/FINANCE & ORGANIZATION SERVICES: Fiscal impact is indeterminate.					
NEBRASKA COMMUNITY COLLEGE ASSOCIATION: Concur that the funding of community colleges would shift to the state given the language of the bill.					
CITY OF LINCOLN: No basis upon which to disagree.					