

RE: Legislative Changes to Mutual Finance Organizations & the Mutual Finance Assistance Act

To clarify the intent of LB 63 as it pertains to changes made to the Mutual Finance Assistance Act relating to Mutual Finance Organization (MFO) agreements. The following summary explains the intent of the provisions of the bill as signed into law by Governor Ricketts. Because the bill had an emergency clause, it is now present law as of 3/7/2019. Thus, MFO agreements for the 2019/20 budget year are affected.

Section 3 of LB 63 makes the following changes to Neb. Rev. Stat. Section 35-1204(1):

(1) A mutual finance organization may be created by agreement among its members pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The agreement shall

(a) Have a duration of at least three years;

Explanation: Previously, MFO agreements were agreed to annually. Starting with the 2019/20 budget year, and specifically with applications submitted by the July 1, 2019 deadline, MFO agreements will now be required to be written for **three-year** terms. While technically under the revised statute, an agreement shall be for at **least** three years, it is our intent the agreements shall be for a consistent three-year duration. It is our expectation that all future MFO agreements will be for three years. We will introduce legislation to clarify the intent next year in statute.

(b) Require that all members of the mutual finance organization levy the same agreed-upon property tax rate within their boundaries for one out of every three tax years covered by the agreement;

Explanation: All members of the MFO must agree to a maximum property tax rate that can be levied during the three years. Each individual district must levy the maximum levy for at least one year of the three-year agreement. Each member of the MFO is free to choose which year of the agreement they will levy the maximum, in the first, second or third year. LB 63 does not intend to require that all members agree upon the same year to levy the maximum. It is our expectation that all future MFO agreements will include the agreed-upon maximum levy and our recommendation that such language is included in any agreements written this year. We will introduce legislation to clarify the intent next year in statute.

(c) Require that all members of the mutual finance organization levy no more than such agreed-upon property tax rate for the remaining tax years covered by the agreement.

Explanation: Furthermore, members do not have to decide, in advance, which year they will levy the max. The other two years, the district is free to levy at the maximum or at any levy less than the maximum. However, no member of the MFO may levy more than the maximum rate during the course of the agreement.