



Hundredth Legislature - First Session - 2007
Committee Statement
LB 649

Hearing Date: February 26, 2007
Committee On: Education

Introducer(s): (Raikes)

Title: Modify the state aid formula under the Tax Equity and Educational Opportunities Support Act

Roll Call Vote – Final Committee Action:

- Advanced to General File
 - Advanced to General File with Amendments
 - Indefinitely Postponed
-

Vote Results:

7	Yes	Senators Adams, Avery, Burling, Howard, Johnson, Kopplin, and Raikes
0	No	
0	Present, not voting	
1	Absent	Senator Ashford

Proponents:

Senator Ron Raikes
Larry J. Scherer
Al Inzerello

Representing:

Introducer
Nebraska State Education Association
Westside Community Schools

Opponents:

Milford L. Smith

Representing:

Nebraska Coalition for Educational Equity and Adequacy

Neutral:

Bill Kuester

Representing:

Nebraska Unified District #1

Summary of purpose and/or changes:

Legislative Bill 649 would revise the Tax Equity and Educational Opportunities Support Act (T.E.E.O.S.A.) to implement concepts developed by the Education Committee as a part of the LR 394 interim study in 2002. The proposal would change the state aid formula beginning with aid calculated for the 2008-09 school fiscal year. The new formula needs for each local system when implemented would be:

Basic Funding (size based average of GFOE – allowances)

- + Allowances (poverty, LEP, special education, special receipts, transportation, elementary site, elementary class size, focus school and program, and distance education and telecommunications)
- + Adjustments (averaging, teacher education, student growth)
- Adjustments (local choice)
- Corrections (poverty allowance, LEP allowance, and student growth adjustment)

Formula Needs

The student numbers used in the calculation would be the current formula students without weighting or adjustment, except that ½ day kindergartners would count as ½ of a formula student.

Students

The definition of formula students in § 79-1003 would be amended by subtracting 50% of the number of students who were enrolled in kindergarten that was not full-day kindergarten from the currently defined formula student for both the initial calculation of aid and for the recalculation of aid.

Section 79-1007.03, which currently provides for weighting students according to grade ranges and adjusting the number of students to reflect demographic factors beginning with the 2008-09 school fiscal year, would be outright repealed.

Poverty, Limited English Proficiency (LEP), Elementary Class Size, Focus School and Program, and Distance Education and Telecommunications Allowances

The poverty, LEP, Elementary Class Size, and Focus School and Program allowances were included in the formula with LB 1024 (2006). The Distance Education and Telecommunications Allowance was included in the formula with LB 1208 (2006).

Special Education Allowance

The special education allowance would be defined in § 79-1003 as 85% of the excess cost as defined in § 79-1119 for the most recently available complete data year. Excess cost are defined in § 79-1119 as the total cost of a special education program (excluding residential care) minus the product of the number of students in the special education program multiplied by the adjusted average per pupil cost of the preceding year.

Special Receipts Allowance

The special receipts allowance definition in § 79-1003 would be modified by excluding special education receipts from the special receipts allowance. The special education receipts would be offset in the same manner through the inclusion of excess costs in the special education allowance. The remaining receipts to be included would be state ward and accelerated or differentiated curriculum program receipts.

Transportation Allowance

The transportation allowance does not change.

Elementary Site Allowance

Local systems would qualify for an elementary site allowance if:

1. The local system has more than 1 building offering elementary grades; and
2. At least 1 of the buildings does not offer any other grades; and
3. There is an average of at least 100 square miles per elementary building in the local system; and
4. There is an average of 15 or fewer students per grade per elementary building.

The allowance would equal the sum of the allowances for all elementary buildings in the local system with an average of 15 or fewer formula students per grade, except that an allowance for the primary elementary site would not be included. The primary elementary site would be the elementary building to which has the most formula students.

The elementary site allowance for each building would equal 500% of the statewide average general fund operating expenditures per formula student multiplied by the result of the ratio of formula students attributed to the building divided by eight rounded up to the next whole number, except that if the resulting whole number is greater than the number of elementary grades offered in the building the whole number shall be reduced to equal the number of elementary grades offered in the building.

The district would be allowed to determine which grades are considered elementary grades, except that elementary grades could not include grades 9-12. Each elementary building would need to offer all of the designated elementary grades.

Adjusted General Fund Operating Expenditures

The definition of adjusted general fund operating expenditures in § 79-1003 would become the difference of the general fund operating expenditures multiplied by the cost growth factor minus the poverty, limited-English proficiency, distance education and telecommunications, special education, special receipts, transportation, elementary site, elementary class size, and focus school and program allowances.

Basic Funding

A comparison group would be established for each local system consisting of that local system, the 5 larger local systems, and the 5 smaller local systems. If there are not 5 larger local systems or if there are not 5 smaller local systems, the comparison group would consist of only as many local systems as fit the criteria. If more than one local system has exactly the same number of formula students as the largest or smallest local systems in a comparison group, all of the systems with exactly the same number of formula students as the largest or smallest local systems would be included.

For local systems with 900 or more formula students, basic funding would equal the formula students multiplied by the average of the adjusted general fund operating expenditures per formula student for each local system in the comparison group excluding both the highest and lowest adjusted general fund operating expenditures per formula student.

For local systems with fewer than 900 formula students, basic funding would equal the average of the adjusted general fund operating expenditures for each local system in the comparison group excluding both the local system with the highest adjusted general fund operating expenditures and the local system with the lowest adjusted general fund operating expenditures.

Comparison systems would be defined in § 79-1003 as the local systems used to determine basic funding for a local system and would not include local systems that are excluded due to high or low adjusted general fund operating expenditures or high or low adjusted general fund operating expenditures per formula student.

The provisions in § 79-1007.02 providing for cost groupings and the calculation of formula need would be limited to the calculation of state aid for school fiscal years prior to 2006-07.

Local Choice Adjustment

A local choice adjustment would be calculated if the local system:

1. Has fewer than 390 formula students;
2. Is not a sparse or very sparse local system; and
3. The high school district did not receive federal funds in excess of 25% of the general fund budget of expenditures.

The local choice adjustment would equal the product of the formula students multiplied by 50% of the difference between basic funding per student for the local system and the basic funding per student for the local system that has the closest to 390 formula students. If more than one local system has exactly the same number of formula students as the local systems that has the closest to 390 formula students, the basic funding of those systems would be averaged.

The current definitions of sparse local systems and very sparse local systems would be repeated in § 79-1003. The definitions are currently contained in § 79-1007.02, which would cease to be effective beginning with aid for 2008-09.

Averaging Adjustment

An averaging adjustment would be calculated for a local system if the basic funding per formula student is less than the statewide average basic funding per formula student. The averaging adjustment would equal the formula students multiplied by 50% of the difference between the basic funding for the local system for which the adjustment is being calculated and the statewide average basic funding per formula student.

Teacher Education Adjustment

Teacher education points would be calculated for each local system. One point would be given for each full-time equivalent teacher who has a master's degree or the equivalent as determined by the department and one additional point would be given for each full-time equivalent teacher who has earned and been awarded a doctoral degree.

A teacher education index would be calculated by dividing the ratio of teacher education points for the local system divided by the number of full-time equivalent teachers in the local system by the ratio of teacher education points for all local systems divided by the number of full-time equivalent teachers in all local systems.

The teacher education adjustment would equal 13.75% of the local system's basic funding multiplied by the difference of the local system's teacher education index minus 1, except that the adjustment would be zero if the calculation produced a negative result.

Teacher would be defined in § 79-1003 as any certified employee who is regularly employed for the instruction of pupils in the public schools. The definition is identical to the current definition of teacher in § 79-101.

Student Growth Adjustment

The high school district in a qualifying local system would be allowed to apply on or before October 1 of the immediately preceding school fiscal year for a student growth adjustment. If the application meets the requirements, the application would be approved and the department would notify the district of the approval or denial by November 1.

Qualifying local systems would be local systems in which:

1. The high school district projects an average daily membership that is more than twenty-five students greater than the formula students to be used in the calculation of aid; and
2. The local system will not have a student growth correction adjustment.

The student growth adjustment would equal the statewide average basic funding per formula student multiplied by the difference of the local system's projected average daily membership minus the sum of the formula students plus twenty-five.

Beginning with 2010-11, the department would determine if any local system had an average daily membership less than the projected average daily membership used to calculate a student growth adjustment in the most recently available complete data year. A student growth correction adjustment would equal the statewide average basic funding per formula student used in the recalculation of aid multiplied by the difference between the projected average daily membership minus the actual average daily membership.

Formula Need

The formula need for each local system would equal the greater of: (a) the sum of the basic funding, poverty allowance, limited English proficiency allowance, special education allowance, special receipts allowance, transportation allowance, distance education and telecommunications allowance, elementary site allowance, elementary class size allowance, focus school and program allowance, averaging adjustment, teacher education adjustment, and student growth adjustment minus the local choice adjustment, poverty allowance correction, LEP allowance correction, and student growth adjustment correction; or (b) the prior year formula need if the district's general fund levy was at or above \$0.99.

Section 79-1007.02, which currently provides for the calculation of formula need, would be limited to school fiscal years prior to 2008-09.

Net Option Funding

Section 79-1009 would be amended by removing the grade range weightings and by replacing the statewide average cost grouping cost per student with the statewide average basic funding per formula student in the calculation of net option funding. The current provisions in the section would also be restructured without making substantive changes.

Small School Stabilization

Section 79-1008.01 would be amended by eliminating small school stabilization. Small school stabilization assists districts with less than 900 students when the combination of a local system's state aid plus the product of the valuation multiplied by the maximum levy falls below 90% of the state aid and property taxes for the prior year.

Cost Growth Factor

Section 79- 1007.01 would be amended by removing the student growth adjustment to the cost growth factor.

Budget Limits

Section 79-1083.03 would be amended by removing grade weighting from the calculation of budget authority for Class I school districts that are not part of a Class VI system.

Miscellaneous

Section 79-1001 would be amended by adding the new sections to the Tax Equity and Educational Opportunities Support Act.

Section 79-1022 would be amended by basing the distribution of aid between districts within a local system on formula students, instead of weighted formula students.

Explanation of amendments, if any:

Senator Ron Raikes, Chairperson