

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$600,000	
CASH FUNDS	\$1,000,000		\$1,000,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,000,000		\$1,600,000	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 967 changes the allocation of the Education Innovation Fund (lottery proceeds) and the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Education Innovation Fund: The bill changes the allocation of funds from the Education Innovation Fund in FY2014-15 and FY2015-16. The bill increases the allocation each fiscal year by \$1 million to be transferred to the School District Reorganization Fund. The funds are to be paid to Class III school districts which reorganize after the effective date of the bill.

The support grants are equal to \$125,000 for each of the school districts that are consolidating. The grant is provided for the first full school year the merger is in effect. If funds in the School District Reorganization Fund are not sufficient to provide support grants, the grants will be reduced proportionately. Any grants not funded in FY15 are to be funded prior to the payment of approved support grants in FY16. Grant funds are excluded from local system resources for purposes calculating state aid and expenditures of the grant funds are excluded from the budget lids.

An analysis of the Education Innovation Fund shows there are adequate funds available, given current statutory obligations, to fund the support grants for two years.

The bill also provides that all funds appropriated from the Education Innovation Fund that are not used for their designated purpose as of June 30, 2016 shall be transferred to the Nebraska Education Improvement Fund on or before August 1, 2016. Outstanding obligations for school district support grants, early childhood endowment grants and early childhood education grants may be paid until the August 1, 2016 transfer date.

State Aid (TEEOSA): LB 967 eliminates the instructional time allowance and teacher education allowances in the state aid formula beginning in FY2016-17. The bill also reduces the amount allocated in the formula for each allowance by 50% in FY2015-16. The amount allocated for the instructional time allowance is reduced from \$20 million to \$10 million and the teacher education allowance is reduced from \$30 million to \$15 million in FY16.

Generally, an allowance in the state aid formula only minimally changes the overall amount of state aid allocated. However, allowances alter the allocation of state aid among school districts. An allowance recognizes that expenditures for these types of programs are attributed to the school district actually providing the program. A reduction or elimination of an allowance increases the amount of basic funding in the formula. The change in the allowances is estimated to increase state aid by about \$600,000 of general funds in FY2015-16 and \$2.3 million in FY2016-17. The aid for individual school districts will change depending upon how much aid is lost through the reduction or elimination of the allowances versus the amount gained by an increase in the amount of basic funding in the formula.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 967	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Matthew Eash	DATE: 2/3/2014	PHONE: 402-471-4175
<p>COMMENTS: LB967 phases out over two years the Instructional Time Allowance and the Teacher Education Allowance, as well as the corresponding Instructional Time Aid and Teacher Education Aid. In FY 2015-16, the maximum aggregate Instructional Time Allowance is halved from \$20,000,000 to \$10,000,000, and the corresponding aggregate Instructional Time Aid is halved from \$10,000,000 to \$5,000,000. Also in FY 2015-16, the maximum aggregate Teacher Education Allowance is halved from \$30,000,000 to \$15,000,000, and the corresponding aggregate Teacher Education Aid is halved from \$15,000,000 to \$7,500,000.</p> <p>While it is not possible, yet, to predict confidently the fiscal impact of these changes to FY 2015-16 total TEEOSA Aid, if these changes were made for FY 2014-15, then total statewide TEEOSA Aid would be reduced by approximately \$2,200,000, based on the current-law estimate of approximately \$900,000,000.</p> <p>Both of these Allowances and corresponding Aid are eliminated from the TEEOSA calculation as of FY 2016-17. While it is not possible, yet, to predict confidently the fiscal impact of these changes to FY 2016-17 total TEEOSA Aid, if these changes were made for FY 2014-15, then total statewide TEEOSA Aid would be reduced by approximately \$3,100,000, based on the current-law estimate of approximately \$900,000,000. (Note: if this estimated impact were realized for FY 2016-17, then it would be an annual reduction of approximately \$900,000 from the estimated reduction to FY 2015-16).</p>		

Please complete ALL (5) blanks in the first three lines.

2014

LB⁽¹⁾ 967

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

NDE/School Finance & Organization Services

Prepared by: ⁽³⁾ Wilson/Inbody

Date Prepared: ⁽⁴⁾ January 17, 2014

Phone: ⁽⁵⁾ 1-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Explanation of Estimate: LB 967 takes the first 1 million dollars from the education innovation fund for each of the 2014/15 and 2015/16 years and directs it to the School District Reorganization Fund. LB 967 also reduces the Instructional Time Allowance, Instructional Time Aid, Teacher Education Allowance and Teacher Education Aid by 50% for 2015/16 and eliminates the Instructional Time Allowance, Instructional Time Aid, Teacher Education Allowance and Teacher Education Aid for years after 2015/16.

There will be minimal impact from the reduction and elimination of the Instructional Time Allowance and Teacher Education Allowance as those allowances will be shifted into Basic Funding. The reduction and elimination of the Instructional Time Aid and Teacher Education Aid will result in less state aid starting in the 2015/16 year but the amount cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____