

Revised on 2/9/16 to reflect the elimination of allocated income taxes in the formula

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS			\$52,346,342	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>			\$52,346,342	

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

LB 1063 changes the formula which provides state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA). The fiscal estimate for FY2017-18 is based upon a comparison of the estimated aid that will be distributed in FY2016-17 per current law, using the preliminary certification of state aid, and the aid that will be allocated per LB 1063. The provisions of the bill take effect for the state aid distribution beginning in FY2017-18.

**CHANGES TO NEEDS IN THE TEEOSA FORMULA:** The bill changes a component used to compute school district needs in the state aid formula. The change will have a fiscal impact are as follows:

**Averaging Adjustment:** The levy criteria used in the averaging adjustment in the formula are eliminated beginning in FY2017-18. The averaging adjustment increases need for districts with 900 or more formula students whose basic funding per student is less than an averaging adjustment threshold. Elimination of the averaging adjustment levy criteria decreases state aid by an estimated \$324,569 in FY18.

**CHANGES TO RESOURCES IN THE TEEOSA FORMULA:**

**Student Support Aid:** The bill replaces current aid provided through the formula as allocated income taxes and establishes a student support aid based upon the income tax liability of residents of school districts. The Tax Commissioner is to certify total income taxes of resident individuals in the prior year to the State Department of Education. The department is to use 3% of prior year income tax liability to compute student support aid in FY18, 4% for FY19 and 5% for FY20 and each year thereafter. The amount of income taxes determined by the percentage is then divided by statewide formula students to determine the amount of aid per student.

The amount of aid is paid directly to each school district and is not an accountable receipt for state aid purposes. The addition of student support aid increases state aid by \$56.4 million in FY17, \$75.2 million in FY18 and an estimated \$94 million in FY20.

**Minimum Levy Adjustment:** The minimum levy adjustment is eliminated in FY18. The adjustment reduces aid for any school with a general fund levy that is less than \$.95. The elimination of the adjustment increases state aid by \$8.3 million in FY18.

**Net Option Funding/Allocated Income Taxes:** LB 1063 eliminates current funding for the allocated income tax component of the formula and changes the amount of net option funding. The elimination of allocated income taxes decreases state aid by \$7.8 million.

Currently, the amount of option funding for a district is the net number of option students times the statewide average basic funding per formula student. LB 1063 provides net option funding based on the net number of option students times 85% of the difference between the statewide average basic funding per formula student minus the student support aid received per formula student. The change in net option aid decreases state aid by \$4.9 million in FY18. The combined result of the changes is a decrease in aid of \$12.7 million.

**PROPERTY TAX REDUCTION:** The Property Tax Administrator is to certify the amount of student support aid for each school to the county clerk having territory in the school district. The county clerk is to calculate the student support aid reduction to the maximum property tax levy which is equal to student support aid certified for the affected fiscal year. This reduces property taxes by the amount of student support aid received by a district. Property taxes will decrease statewide by an estimated \$56.9 million in FY18 based upon estimated student support aid provided to school districts.

**SUMMARY:**

LB 1063 increases the amount of state aid distributed by an estimated \$52.3 million in FY18, \$71.1 million in FY19 and \$89.9 million in FY20. Changes in the formula which result in a net increase in state aid are shown in the following table. The table also shows the net fiscal impact of the bill for school districts which reflects the decrease in property taxes required equal to the amount of student support aid received.

	FY 2017-18	FY 2018-19	FY 2019-20
Current Law – Estimated State Aid Total	\$979,312,969		
Eliminate Averaging Adjustment Levy Criteria	324,569	324,569	324,569
Student Support Aid - 3%	56,387,285		
Student Support Aid - 4%		75,183,047	
Student Support Aid - 5%			93,978,809
Eliminate the Minimum Levy Adjustment	8,333,247	8,333,247	8,333,247
Net Option Funding Change	-4,915,247	-4,915,247	-4,915,247
Allocated Income Taxes	<u>-7,783,513</u>	<u>-7,783,513</u>	<u>-7,783,513</u>
<b>Increase in State Aid to Schools</b>	\$52,346,341	\$71,142,103	\$89,937,865
Less: Decrease in Property Taxes per Student Support Aid	<u>-56,937,845</u>	<u>-75,917,126</u>	<u>-94,896,408</u>
<b>Net Fiscal Impact of LB 1063 for Schools</b>	-\$4,591,504	-\$4,775,023	-\$4,958,543

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1063	AM:	AGENCY/POLT. Department of Education	
REVIEWED BY: James Van Bruggen		DATE: 1/26/16	PHONE: 471-4179
COMMENTS: The estimate provided by the Department of Education appears within range.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1063	AM:	AGENCY/POLT. Lancaster County Clerk	
REVIEWED BY: James Van Bruggen		DATE: 1/27/16	PHONE: 471-4179
COMMENTS: There is no basis to disagree with the Lancaster County Clerk.			

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

**2016**

**LB<sup>(1)</sup> 1063**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Department of Education

Prepared by: <sup>(3)</sup> Bryce Wilson

Date Prepared: <sup>(4)</sup> 1/22/16

Phone: <sup>(5)</sup> 402-471-4320

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	\$36,000,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<b>=====</b>	<b>=====</b>	<b>\$36,000,000</b>	<b>=====</b>

**Explanation of Estimate**

TEEOSA aid is increased by Student support aid by about \$57 million dollars as well as the elimination of the minimum levy adjustment. Those increases are offset by the elimination of the allocated income tax rebate as well as changes to the calculation of the net option funding component. A portion of the savings on net option funding and the allocated income tax rebate are added to equalization aid since both net option funding and allocated income tax rebate components are resources that reduce equalization aid.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	\$36,000,000
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	<b>\$36,000,000</b>

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

**2016**

**LB<sup>(1)</sup> 1063**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Lancaster County Clerk

Prepared by: <sup>(3)</sup> Tim Genuchi Date Prepared: <sup>(4)</sup> 01/27/2016 Phone: <sup>(5)</sup> 402-441-7470

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	No Fiscal Impact		No Fiscal Impact	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

**2016**

**LB1063**<sup>(1)</sup> Change provisions relating to state aid to schools

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> DOUGLAS COUNTY, NEBRASKA

Prepared by: <sup>(3)</sup> MARCOS SAN MARTIN, DOUGLAS COUNTY ADMINISTRATION Date Prepared: <sup>(4)</sup> 2/8/16 Phone: <sup>(5)</sup> 402.444.5116

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**Explanation of Estimate:**

MAY RESULT IN A NEGATIVE FISCAL IMPACT TO COUNTY; BILL REFLECTS NEW DUTIES FOR COUNTY CLERKS. SEE FILED VERSION, PAGE 2, LINE 1-15:

[".....The county clerk of each county with territory in the local system shall calculate the student support aid reduction to the maximum levy pursuant to section 77-3442 for such local system which shall equal the student support aid certified pursuant to section 79-1022 for the affected school fiscal year, with any adjustments...."]

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____