

Revised on 4/1/16 based upon amendments adopted through 3/30/16.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$13,160,977	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$13,160,977	

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

LB 1067 pertains to the learning community, which includes eleven school districts in Douglas and Sarpy counties. The bill repeals the common levy and special building fund levy authorized for school districts in the learning community. The calculation of state aid to schools (TEEOSA) on a collective basis for school districts in the learning community is eliminated. The TEEOSA formula is modified to include a new community achievement plan aid and learning community transition aid in addition to other changes shown below.

Repeal of Common Levy: The bill repeals the common \$.95 levy for school districts which are members of a learning community effective July 1, 2017. The levy generates about \$492.5 million of property taxes in 2015. The common levy is currently allocated among member districts proportionally based upon the difference of the district's formula need less the sum of state aid and other actual receipts. The repeal allows each district to levy an individual levy and receive the amount of property taxes collected per the valuation of the district. Some districts in the learning community will have decreased property tax receipts and others will have increased receipts pursuant to the repeal.

Repeal of Special Building Fund Levy: LB 1067 also repeals the authorization for a special building funds levy for the learning community on July 1, 2017. The levy is a maximum of \$.02 and would generate about \$10.4 million based upon 2015 valuations. Taxes received from the levy are distributed proportionately to member school districts based on formula students. The learning community schools did not utilize the levy in 2015.

Change in Calculation of State Aid (TEEOSA):

Repeal of Shared Aid in the Learning Community: Currently, state aid for the eleven school districts in Sarpy/Douglas counties in the learning community is calculated collectively. The combined formula needs of all the districts in the learning community are compared to the combined formula resources of all districts in the learning community to determine the amount of equalization aid for the school districts in the learning community. Each school district receives a proportional share of equalization aid based upon its share of total formula needs. Beginning in FY2017-18, the repeal of the pooling concept for state aid for the learning community will increase state aid to schools by about \$5.36 million.

Community Achievement Plan Aid: LB 1067 adds a community achievement plan adjustment in the state aid formula for school districts which are members of the learning community beginning in FY2017-18. The adjustment is equal to 2% of the poverty allowance and 2% of the limited English proficiency allowance calculated for a district. The adjustment is provided for the first two fiscal years of the achievement plan. Thereafter the adjustment becomes part of the poverty allowance in the formula. School districts receive community achievement plan aid in the amount of the adjustment and such aid is considered to be a resource for state aid purposes.

Districts must have their community achievement plans approved by the State Board of Education. If the plan is not approved for schools in the learning community prior to September 1, 2017, then the aid will be removed for the final calculation of state aid for the fiscal year. It is estimated the addition of community achievement plan aid to the formula increases state aid by \$1.7 million in FY18.

The bill also provides for multidistrict educational service units to submit community achievement plans. If such plans are submitted and approved, then additional schools will qualify for state aid for community achievement plans. It is unknown how many school districts will submit community achievement plans in the future and qualify for aid. If every school district outside of the learning community was involved in a community achievement plan in FY18, it is estimated that state aid would increase by an additional \$1.7 million.

Poverty Aid: LB 1067 adds a poverty aid adjustment in the state aid formula for school districts with poverty students comprising more than 40% of total formula students in FY2017-18 and FY2018-19. The adjustment, in FY18, is equal to the statewide average general fund operating expenditures per formula student times .0125 and then multiplied by the difference of the poverty students minus 40% of the formula students. The same calculation is applied to determine the adjustment in FY19 except the factor is increased to .02. The poverty allowance in the formula is also increased for poverty students comprising more than 40% of formula students beginning in FY20. The estimated increase in state aid pursuant to the poverty adjustment is \$2.48 million in FYY18 and \$3.97 million in FY19. The change in the allowance in FY20 increases aid by about \$1.7 million thereafter.

Learning Community Transition Aid: Several school districts which are members of the learning community will receive learning community transition aid in FY2017-18 and FY2018-19. The aid calculation required by the bill is phased-in over the two year period at 50% in the first year and 25% in the second year. Learning community transition aid is not a resource for state aid purposes. It is estimated TEEOSA aid will increase by \$3.6 million in FY18 and \$1.8 million in FY19 to provide transition aid.

Conversion of the Open Enrollment Program in the Learning Community: The bill provides that students in the learning community who are enrolled outside their resident district through the open enrollment program will become option enrollment students in FY17. The change will have an unknown fiscal impact on the amount of net option funding and basic funding in the formula. A change in net option funding will also impact allocated income tax funding for school districts.

Required Transportation for Open Enrollment Students: The bill requires option school districts to continue to provide free transportation for a student in the open enrollment program until the student leaves the school building. At some point in the future, as students currently enrolled in the open enrollment program graduate or move to different school buildings, transportation for schools in the learning community will be reduced. Transportation costs for open enrollment students are estimated to total about \$4.6 million beginning in FY17. Any changes in school spending impact the amount of state aid distributed two years later. So, decreased transportation expenditures by members of the learning community may impact state aid beginning in FY19.

NDE Responsibilities: The bill requires the student achievement coordinator in the State Department of Education (NDE) or other department staff to review community achievement plans. Plans are required to be submitted by school districts that are members of the learning community on or before January 1, 2017 for school fiscal year 2017-18. Plans may also be submitted by multidistrict ESU's. Plans are to be reviewed by February 15th so they can be revised prior to submission to the State Board of Education for approval at the board's April meeting. Approved plans are in effect for three years. Reports are to be submitted regarding the success of the plans after the first two years and every three years thereafter. NDE is to adopt rules and regulations. NDE does not indicate the need for any additional staff or resources to implement these provisions of the bill.

ESU Coordinating Council: Membership on the ESU Coordinating Council is increased to include one non-voting administrator from each learning community beginning July 1, 2017. The expansion of membership should have a minimal fiscal impact to reimburse expenses, if member expenses are paid.

Learning Community of Douglas and Sarpy Counties: The repeal of the common levy, special building fund levy and the change in the calculation of state aid impacts the school districts in the learning community, but not the learning community itself.

The learning community will have a minimal reduction in the duties with respect to preparing and submitting a budget for the common levy. The provisions of the bill which reduce the number of members on the learning community coordinating council from 18 to 12 will likely result in a small decrease in expenditures, if the expenses of these members are being paid. The workload of the learning community will increase to develop, submit, administer and evaluate community achievement plans in collaboration with school districts and other entities. It is assumed these duties can be handled with existing staff and resources.

Summary: The estimated fiscal impact of the bill in terms of increased TEEOSA aid is as follows for FY18 through FY20.

TEEOSA Impact	FY2017-18	FY2018-19	FY2019-20
Eliminate the Common Levy	5,357,531	5,357,531	5,357,531
Community Achievement Plan Adjustment & Aid*	1,725,024	1,725,024	0
Community Achievement Plan Allowance & Aid*			1,018,841
Learning Community Transition Aid	3,600,071	1,800,036	0
Poverty Adjustment	2,478,351	3,965,362	
Poverty Allowance			1,666,505
Total Est. Required Increase in TEEOSA Aid	\$13,160,977	\$12,847,953	\$8,042,877

*Required for Schools in the Learning Community

PLUS: (if other districts adopt Comm. Achieve. Plans)			
Comm. Achieve. Plan Adjust. & Aid- Other Districts	1,742,947	1,742,947	
Comm. Achieve. Plan Allow. & Aid- Other Districts			82,182
Total Est. Potential TEEOSA Aid Increase	\$14,903,924	\$14,590,900	\$8,125,059

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2016

LB⁽¹⁾ 1067 AM2781

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Education

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 3/31/16

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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	_____	_____	12,700,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	<u>\$12,700,000</u>	=====

Explanation of Estimate:

LB 1067 AM 2781 creates the new community achievement plan adjustment and aid which is equal to 2% of the poverty allowance and 2% of the LEP allowance for districts in the Learning Community meeting the requirements of the Achievement Plan (\$1.7 million).

AM 2781 also adds additional poverty funding for districts with more than 40% poverty students. For 2017-18 there would be an additional 1.25% of the Statewide General Fund Operating Expenditure per formula student for each student over the 40% threshold (\$2.8 million). For 2018-19 the additional 1.25% is increased to 2%. Starting in 2019/20 the poverty allowance will include an additional tier in the Poverty Allowance calculation which will increase funding by 2% for the poverty students above 40%.

Learning Community transition aid is created as part of this bill for years 17/18 through 18/19 to help schools losing resources to transition to the new funding system. The transition aid for 17/18 will result in about \$3.6 million.

Eliminating the Learning Community calculation will also increase the total amount of TEEOSA aid by about \$5 million which is the difference between needs and resources for the two districts that would become non-equalized under this change.

The total cost of this bill is less than the sum of the components noted above due to the interaction of the components when calculated together in the TEEOSA formula.

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.....	_____	_____	_____	\$12,700,000
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	<u>\$12,700,000</u>