

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			(\$3,500,000)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			(\$3,500,000)	

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

LB 959 changes provisions relating to budgets, levy authority and school funding for school districts, educational service units and community colleges. The provisions are effective beginning in FY2016-17 unless otherwise noted.

SCHOOL DISTRICTS: The bill changes several provisions related to growth in budgets for school districts.

Needs Stabilization: Currently, the amount of needs calculated for school districts per the state aid formula in the Tax Equity and Educational Opportunities Support Act (TEEOSA) are stabilized or held-harmless at 100% of the amount calculated for the prior year if calculated needs fall below this threshold. The bill changes the threshold for stabilizing needs to 98%.

The current formula also limits calculated needs that are more than 112% of prior year needs to equal 112%. LB 959 reduces the stabilization threshold to 105% of prior year needs. It is estimated the change in needs stabilization will decrease state aid by about \$3.5 million in FY2017-18.

Budget Growth: Current law allows an increase in budget authority for a school district to be the greater of: the prior year's budget of expenditures minus exclusions increased by 2.5%; the prior year's budget of expenditures minus exclusions increased by student growth; or, 110% of formula needs less special education expenditures. The bill provides for budget authority to only be calculated based upon the prior year's budget minus exclusions increased by 2.5% plus any student growth.

Retirement Contributions: Currently, employer contributions for retirement expenses which exceed a specified contribution rate are excluded from the budget limitation for school districts. The bill makes these expenditures subject to the budget lid.

Voluntary Terminations: The bill changes provisions regarding the currently allowed five year exclusion of costs from the budget limitation for voluntary terminations. Beginning with voluntary terminations occurring on or after the first day of 2016-17, part of the exclusion is to be subject to the budget lid in an amount equal to 10% of the amount of the approved exclusion for each of the five years.

Cash Reserves: The bill limits the annual growth of cash reserves for school districts to 5%. Currently, school districts may annually increase their cash reserves up to the allowable reserve percentage specified in statute. The reserve percentage varies based on the membership of a district and ranges from 45% for small districts to 20% for large districts.

Unused Budget Authority: The State Department of Education annually calculates the amount of unused budget authority for school districts which can be carried over to future years. The bill limits the amount of unused budget authority that may be carried over to not exceed 5% of the general fund budget of expenditures less exclusions. The amount of budget authority that can be carried over is not currently limited.

Site Acquisition Levy Limit: Current law authorizes school districts to annually levy up to \$.14 to establish a special fund to acquire sites for school buildings. The bill limits the annual levy to \$.10.

Levy Exceptions for Capital Projects: The bill removes several levy exceptions for capital projects that can be undertaken by school boards without voter approval.

The fiscal impact of changes in the calculation of budget limitations, unused budget authority, levies and cash reserves of school districts is not able to be determined. Since the bill appears to decrease the annual amount of growth allowed in school district budgets, levies, cash reserves and unused budget authority, it seems future increases in school taxing and spending will less than

currently allowed. However, depending upon the circumstances of individual school districts the bill may have a fiscal impact or none at all. School districts which do not levy and spend up to their budget limitation or that do not utilize unused budget authority may not be impacted by the bill. Other school districts may have to limit taxing and spending to comply with provisions of the bill.

Certification of Budget Authority: The bill nullifies any certification of budget authority for FY2016-17 that is made prior to the effective date of the bill and provides for the State Department of Education (NDE) to certify budget authority for FY17 on or before April 29, 2016.

EDUCATIONAL SERVICE UNITS: The bill limits the growth of budgets of educational Service Units. Currently, an ESU may exceed budget growth limits to the extent that 110% of the needs calculated for the ESU exceeds the budgeted restricted funds (allowable growth plus 2.5%). The bill lowers the amount of growth allowed to 105% of calculated needs. The fiscal impact of decreasing allowable budget growth for ESU's is unknown.

COMMUNITY COLLEGES: The bill provides that the currently authorized property tax levy of up to \$.02 that may be used, in part, to pay off revenue bonds issued by community college areas may only be used for that purpose if the issuance of the related revenue bonds is approved by a majority of voters at a primary, general or special election. The fiscal impact of this provision is unknown.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 959	AM:	AGENCY/POLT. Department of Education
REVIEWED BY: James Van Bruggen	DATE: 1/22/16	PHONE: 471-4179
COMMENTS: Fiscal Year 2016-2017 TEEOSA Certification has not been released. FY 17-18 TEEOSA aid is only an estimate. Changes to the estimated cost of how needs stabilization effects TEEOSA could occur as data estimates become actuals.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 959	AM:	AGENCY/POLT. Nebraska Community College Association
REVIEWED BY: James Van Bruggen	DATE: 1/25/16	PHONE: 471-4179
COMMENTS: Community Colleges will each be affected differently and the fiscal impact will vary in each circumstance.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 959	AM:	AGENCY/POLT. Metropolitan Community College
REVIEWED BY: James Van Bruggen	DATE: 1/25/16	PHONE: 471-4179
COMMENTS: LB 959 does not make any changes to Community College unused budget authority.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 959	AM:	AGENCY/POLT. Educational Service Unit Coordinating Council
REVIEWED BY: James Van Bruggen	DATE: 1/29/16	PHONE: 471-4179
COMMENTS: The bill allows educational service units to exceed 105% of calculated needs instead of the current 110%.		

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

2016

LB⁽¹⁾ 959

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Education

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 1/20/16

Phone: ⁽⁵⁾ 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	_____	_____	(\$5,700,000)	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	(\$5,700,000)	=====

Explanation of Estimate:

LB 959 changes the needs stabilization adjustment range from 100% -112% down to 98% -105% which is used to calculate formula needs in the TEEOSA formula. Reducing formula need will result in less TEEOSA aid going to school districts.

This bill also adds several restrictions to school district budgets that may encourage school districts to increase their budgets in the short term but will most likely limit budget growth over the long term. The effect of the budget changes cannot be determined at this time.

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.....	_____	_____	_____	(\$5,700,000)
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	(\$5,700,000)

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

2016

LB⁽¹⁾ 959

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Community College Association

Prepared by: ⁽³⁾ Dennis Baack

Date Prepared: ⁽⁴⁾ January 25, 2016

Phone: ⁽⁵⁾ 402-471-4685

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	=====	=====	=====	=====

Explanation of Estimate:

This bill would certainly change our bonding authority but it is not possible to put a dollar amount on what LB 959 might cost the colleges.

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.....	_____	_____	_____	_____

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

2016

LB⁽¹⁾ 959

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Metropolitan Community College

Prepared by: ⁽³⁾ David Koebel

Date Prepared: ⁽⁴⁾ 1/22/2016

Phone: ⁽⁵⁾ 402-457-2391

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	=====	=====	=====	=====

Explanation of Estimate:

The revenue impact from the limiting of the unused budget authority to just 5% of the College's budget is hard to estimate. The College's unused budget authority could be needed in the event of significant enrollment increases or other College needs. This legislation would reduce the unused budget authority that MCC has been able to build up by keeping our budget increases under control.

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

LB⁽¹⁾ 959

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Educational Service Unit Coordinating Council

Prepared by: ⁽³⁾

David Ludwig

Date Prepared: ⁽⁴⁾

1-23-16

Phone: ⁽⁵⁾

402-597-4915

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	_____	_____	_____	-\$218,000
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-\$218,000</u>

Explanation of Estimate:

At the present time, there would be no apparent fiscal impact within the Educational Service Unit Coordinating Council.

In regard to individual Educational Service Units, this legislation would decrease the budgeted restricted funds for ESU 18 by approximately \$218,000. The decrease in the budgeted restricted funds for individual ESU's in the future is unknown at this time.

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.....	_____	_____	_____	_____