

Revised on 3/27/18 based on amendments adopted through 3/21/18.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$25,000)		\$35,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$25,000)		\$35,000	

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

LB 1081 changes and eliminates several provisions relating to schools. The following provisions will have an impact on workload and/or funding.

Learning Community: The bill requires a learning community coordinating council to submit an annual financial report to the State Department of Education (NDE) on or before January 31 of each year. The bill requires a learning community to have an annual audit but authorizes the Auditor of Public Accounts to determine if a less frequent audit is appropriate, but not less than once every three years. The learning community may contract with the State Auditor to perform the audit. Funds may be withheld from the learning community for failure to submit an annual financial report.

It is assumed the learning community in Douglas/Sarpy counties can prepare and submit an annual financial report to the state using existing staff. The learning community currently complies with the requirement to have an annual audit. There may be a savings in audit costs for the learning community if the Auditor of Public Accounts determines that a less frequent audit is appropriate.

Poverty and Limited English Proficiency Plans: The bill eliminates requirements for schools to submit poverty and limited English proficiency plans beginning in FY2018-19. Elimination of the plans decreases the workload of NDE and school districts. The Legislature has earmarked \$75,000 of general funds in FY2018-19 for the review of poverty and limited English proficiency plans. The elimination of the requirement to submit the poverty and limited English proficiency plans will result in an annual savings of these general funds.

School districts will also have a decreased workload relative to preparing the plans. It is assumed the decrease in workload will not be significant enough to impact staffing.

Priority Schools: The bill eliminates the cap on the number of priority schools which may be designated by the State Board of Education at any one time. Current law allows no more than three schools to be designated as priority schools at one time. The bill removes the cap and states that no less than three schools may be designated at any one time. The change does not have a fiscal impact for the department unless additional state funds are appropriated for this purpose or federal funds are available to provide assistance to more than three schools.

LB 1081, as amended, includes some provisions of **LB 651** which is the Nebraska Reading Improvement Act. The bill provides requirements for school districts and the State Department of Education (NDE) as follows:

Reading Assessments: Beginning in FY2019-20, the bill requires each school district to administer an approved reading assessment three times during a school year to all students in kindergarten through grade three. Several exemptions for students meeting certain criteria are provided in the bill. The assessments may be purchased commercially or be developed by a school district or educational service unit.

The reading assessments must be approved by NDE in accordance with requirements in the bill. Beginning March 1, 2019, and each year thereafter, NDE must publish a list of approved reading assessments and identify threshold levels for performance below which a student will be identified as having a reading deficiency.

The state assessment program does not currently test children in grades kindergarten, one or two. State approved local or statewide reading proficiency tests would be needed for these grades. NDE indicates that most districts use a local formative assessment to determine reading proficiency. It is unknown how frequently reading tests are administered by school districts. The requirement to

administer an approved reading test three times per year in four grades will have an unknown fiscal impact for school districts in terms of costs related to test acquisition or development, administration and reporting.

NDE will have an increased workload to review reading tests and annually publish a list of approved assessments and the threshold level identifying a student with a reading deficiency. The department indicates the initial implementation of these requirements will require an additional \$25,000 of general funds in FY19 and FY20 to contract with a reading expert for assistance. A one-time fiscal impact of \$20,000 of general funds is projected in FY19 if Nebraska educators are used to help identify thresholds. This fiscal note assumes a fiscal impact of \$25,000 in FY 18 and FY19 to contract for a reading professional and \$10,000 in FY19 to identify thresholds for students with reading deficiencies. It is assumed existing staff can handle the assessment responsibilities of the bill in FY21 and thereafter.

Supplemental Reading Intervention Programs: The bill requires that each school district provide a supplemental reading intervention program to ensure that students can read at or above grade level at the end of third grade. The program is to be provided for any student identified as having a reading deficiency. School districts are required to develop individual reading improvement plans for students with a reading deficiency who are in kindergarten through grade three no later than 30 days after a deficiency in reading is identified based upon reading assessments. The plan is to be created by the teacher, principal, other pertinent school personnel and the parents of the student. Students with a plan are to receive supplemental reading intervention services until a student no longer has a reading deficiency.

The bill requires the reading intervention programs to include strategies and resources for parents to assist with reading at home as well as parent training workshops. Programs shall encourage access to reading tutors with specialized training to be provided in before and after school programs. Schools are required to provide summer reading programs for students with reading deficiencies who are enrolled in grade one or higher.

The bill will have an unknown fiscal impact for school districts to develop and implement individual reading improvement plans, provide summer school reading programs, before and after school reading tutors and parent training. The fiscal impact will vary by school district, and could be significant in some cases, depending upon reading programs currently in place and resources currently offered to students and families.

Annual Report on Reading Intervention Services/Technical Assistance: By September 1 of each school year, schools are required to report to NDE regarding the number and percentage of students by grade who received reading intervention services pursuant to an individual reading improvement plan during the prior school year. It is assumed that the initial reporting pursuant to the bill will occur beginning in FY2020-21 since reading intervention services will not be required until FY2019-20. NDE is to establish a uniform format for school districts to report the information and is to annually compile the information and provide a state-level summary. NDE is also required to provide technical assistance to school districts as needed to provide such information.

NDE estimates a one-time cost of \$60,000 of general funds in FY2018-19 to develop a new data collection instrument and a reporting mechanism for the information collected. This fiscal note assumes a one-time cost of \$45,000 to develop the database and reporting which will occur in FY2019-20. It is assumed that on-going data maintenance and reporting expenses can be handled with existing staff and resources.

The department estimates a fiscal impact of \$40,000 of general funds in FY19 and FY20 for technical assistance to districts which will include contracts with experts on reading interventions and training for school personnel in developing reading plans. This fiscal note assumes \$20,000 of general funds for technical assistance in the second half of FY2018-19, \$40,000 in the initial year of implementation in FY2019-20, and \$20,000 per year thereafter.

In summary, the estimated fiscal impact of the bill for the state is as follows in FY2018-19, FY2019-20 and thereafter. The bill will also have an unknown fiscal impact for school districts.

	FY 2018-19	FY 2019-20	FY 2020-21
Repeal Review of Poverty/LEP Plans	-75,000	-75,000	-75,000
Contract with Reading Specialist	25,000	25,000	
Threshold Setting Process	10,000		
Data Collection/Reporting		45,000	
Technical Assistance	<u>20,000</u>	<u>40,000</u>	<u>20,000</u>
Total General Fund Fiscal Impact	-\$25,000	\$35,000	-\$55,000

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1081 AM: 2593 AGENCY/POLT. SUB: Department of Education

REVIEWED BY: Gary Bush DATE: 3/27/18 PHONE: [\(402\) 471-4161](tel:4024714161)

COMMENTS: No basis to disagree with the costs identified for the reading assessments developed by the department. Disagree with agency that "new language on page 2, lines 5 to 10 of LB 1081A should be stricken as LB 944 already incorporates those changes for NDE to receive a 2% cut to general funds like all other state agencies" should be struck. LB1081, as amended, repeals two sections of law that required the submission of poverty plans and limited English proficiency. The reduction shown for General Funds of \$75,000 in FY2019 is related to the repealed sections not part of the 2% across the board reduction contained in LB944.

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2018

LB⁽¹⁾ 1081, AM 2593

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Education

Prepared by: ⁽³⁾ Cory Epler, Bryce Wilson Date Prepared: ⁽⁴⁾ 3/23/2018 Phone: ⁽⁵⁾ 1-3240

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$145,000		\$65,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$145,000</u>		<u>\$65,000</u>	

Explanation of Estimate: LB 1081A correctly strikes specific language on page 3, lines 8 through 12 which directed NDE to spend general funds in FY18-19 on activities LB 1081 eliminates. However the new language on page 2, lines 5 and 10 of LB 1081A should be stricken as LB 944 already incorporates those changes for NDE to receive a 2% cut to general funds like all other state agencies.

AM 2593 requires NDE to approve reading assessments that school districts will use to carry out the provisions of the Act. This will require additional funds for NDE to identify all possible assessments that school districts could use under the Act. NDE would then need to establish the performance levels for each of the assessments identified which will require additional funds. In addition, NDE would be required to develop a new reporting system for 244 school boards to report to NDE by September 1, 2019 and each year thereafter, the number and percentages of students not on grade level in reading under the act. The costs to NDE to carry out the provisions of AM2593 are set forth in the table below:

Item	Rationale	Amount
Contractual Services	The scope of work to implement requirements would require additional capacity beyond those of the ELA Specialist. This would occur in both FY 18-19 and 19-20.	\$25,000 (both FY)
“Threshold” Setting Processes/Meetings	To determine the “threshold” level, Nebraska educators would be utilized, similar to other “standard setting” processes for assessments on or before March 1, 2019.	\$20,000 (FY 18-19 only)
Data Collection/Reporting Tools	Collecting the data from schools (and for reporting) would require NDE developers to create a new data collection that needs to be completed in FY 18-19 so that school districts can properly report by September 1, 2019.	\$60,000 (FY 18-19 only)
Professional Development/Technical Assistance	To provide professional development/technical assistance on supplemental reading intervention programs, funds would be needed to support the development and implementation of PD, contracted support for experts in reading interventions, and funds to provide training in development of “reading improvement plans.” This would occur in both FY 18-19 and 19-20.	\$40,000 (both FY)

The 244 school districts would be required to follow the specific requirements in the Act that will require an undeterminable number of school districts to utilize resources to accomplish. Current financial data available to NDE indicates that 102 school districts are providing some summer school program although more may be doing so. In addition, school districts will need to revise policies and procedures currently in place to ensure compliance with the Act that will require time and resources that are undeterminable, but may be significant and may include hiring of additional district staff and providing additional school programs.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2018-19	2019-20
	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____