

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$60,024,895)		(\$124,236,620)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>(\$60,024,895)</b>		<b>(\$124,236,620)</b>	

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

LB 409 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 aid that would have been distributed in FY2017-18 pursuant to current law and the aid that will be allocated per LB 409. The fiscal impact for FY2018-19 and beyond is estimated and may change pursuant to school spending and valuation changes.

**CHANGES TO NEEDS IN THE TEEOSA FORMULA:** The bill changes the computation of school district needs in the state aid formula. The change which will have a fiscal impact is as follows:

**Base Limitation/Cost Growth Factor:** The base limitation rate or allowable growth rate in the aid formula is decreased by 2.5% from 2.5% to 0% for FY2017-18 and FY2018-19. The change in the rate decreases the cost growth factor in the formula which is used to inflate school district expenditures for purposes of calculating aid. Currently, the cost growth factor is 5% for FY18 and FY19. The change in the allowable growth rate for FY18 decreases the cost growth factor to 2.5% for FY18 and 0% for FY19. The cost growth factor will be 2.5% for FY20 and return to 5% in FY21 pursuant to the bill.

A decrease in the cost growth factor reduces the amount of state aid provided as basic funding. The reduction in basic funding pursuant to the decrease in the cost growth factor is projected to be \$48.6 million in FY18 and \$112.2 million in FY19.

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

**Local Effort Rate:** The local effort rate in the formula is currently set at \$1.00 for FY18 and FY19. LB 409 increases the local effort rate to \$1.01 in each fiscal year. An increase in the local effort rate reduces the amount of state aid provided to school districts because the formula assumes a district has increased resources. The estimated decrease in state aid is \$11.4 million in FY17 and \$12 million in FY19.

**SUMMARY:**

LB 409 decreases the amount of state aid distributed by an estimated \$60 million in FY18 and \$124.2 million in FY19. Changes in the formula which result in a decrease in state aid are shown below:

	<b>FY2017-18</b>	<b>FY2018-19</b>
Current Estimated State Aid	\$1,046,910,176	\$1,102,315,575
Reduce Cost Growth Factor	-\$48,627,571	-\$112,208,631
Increase Local Effort Rate	-\$11,397,324	-\$12,027,989
Total Estimated State Aid	\$986,885,281	\$978,078,955
<b>Decrease in Aid per LB 409</b>	<b>-\$60,024,895</b>	<b>-\$124,236,620</b>

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 409	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: James Van Bruggen	DATE: 1/20/17	PHONE: <a href="tel:4024714179">(402) 471-4179</a>
COMMENTS: The legislation increases the local effort rate resulting in higher calculations of local resources. Additionally, the bill reduces budget growth to zero lowering overall growth in needs. The Department of Education's estimated fiscal impact for FY 2017-18 appears within range. FY 2018-19 estimate is based on a variety of variables and assumptions which can change the fiscal impact.		

