PREPARED BY: DATE PREPARED: PHONE: Sandy Sostad February 28, 2017 471-0054

LB 409

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)										
	FY 201	7-18	FY 2018-19							
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE						
GENERAL FUNDS	(\$60,024,895)		(\$124,236,620)							
CASH FUNDS										
FEDERAL FUNDS										
OTHER FUNDS										
TOTAL FUNDS	(\$60,024,895)		(\$124,236,620)							

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.

<u>CHANGES TO NEEDS IN THE TEEOSA FORMULA</u>: 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:

<u>Base Limitation/Cost Growth Factor</u>: 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:

<u>Local Effort Rate</u>: 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:

	FY2017-18	FY2018-19	
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	<u>-\$11,397,324</u>	<u>-\$12,027,989</u>	
Total Estimated State Aid	\$986,885,281	\$978,078,955	
Decrease in Aid per LB 409	-\$60,024,895	-\$124,236,620	

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: <u>(402) 471-4179</u>

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.

LB ⁽¹⁾	409								FISCAL NOTE
State Agency OR Political Subdivision Name: (2) Prepared by: (3) Jen Utemark				(2)	Dept. of Education				
				D	ate Prepare	6) 402-471-3323			
		E	STIMATE PRO	VIDED B	Y STATE A	GENCY (OR POLITICA	AL SUBDIVISI	ON
				FY 2017-	18			FY 2018	8-19
			EXPENDITUE		REVEN	<u>JE</u>	EXPEND		REVENUE
GENER	AL FUN	DS	(\$62,143,338	3)			(\$2,624	4,731)	
CASH F	UNDS								
FEDER.	AL FUNI	DS							
OTHER	R FUNDS								
TOTAL	FUNDS		(\$62,143,338	3)			(\$2,624	4,731)	
under would declar This be result contri Rate.	current increases and sill work ing in butors The state	t statuse the emerger uld dec TEEOSA to the ate's :	ate is equal local efformacy exists a crease the a A aid experie formulas l financial coorecasted at	to the t rate nd take mount o encing argest mmitmen this t Total A \$984,80 \$982,17	maximum to the ma s effect f needs w no fundin component t will re ime for p id Calcul 0,254	levy maximum if pass thile in g grows s: Bass main s: urposes ated (\$62, (\$2, \$2, \$2, \$2, \$3, \$4, \$4, \$4, \$4, \$4, \$4, \$4, \$4, \$4, \$4	inus five of levy minus sed and appropriate for the sed an	cents (\$1.0 four cents proved account the amount ariable fac and Yield the 2016/17 aid pursua	l effort rate 0). Provisions (\$1.01). LB409 rding to law. of resources, tors are direct from Local Effor TEEOSA aid. nt to TEEOSA as r Current Statute Prior Year
D	16		BRE	AKDOWN	N BY MAJOI	R OBJEC	TS OF EXPE	NDITURE	
Persona	1 Services	S:		NUMBE	R OF POSIT	ΓIONS	2017	'-18	2018-19
	POSIT	ION TIT	<u>rle</u>	<u>17-18</u>	18	<u>3-19</u>	EXPEND	<u>ITURES</u>	<u>EXPENDITURES</u>
				-					
Benefits									
Operati	ng						_		
Travel									
Capital	outlay								
Aid							(\$62,14	3,338)	(\$2,624,731)
-	-								
TOTAL						(\$62,14	3,338)	(\$2,624,731)	