

Revised on 4/19/17 based on amendments adopted through 4/19/17.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$47,072,283)		(\$74,863,631)	
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$47,072,283)		(\$74,863,631)	

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 1% from 2.5% to 1.5% 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 4% for FY18 and 3% for FY19. The cost growth factor will be 4% 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 \$21.5 million in FY18 and \$48.1 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 \$1.0203 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 \$19.8 million in FY17 and \$24.3 million in FY19.

Net Option Funding: LB 409 changes the calculation of net option funding in FY18 and FY19. Current law provides net option funding to school districts based upon the net number of option students multiplied by the statewide average basic funding per formula student. The bill provides for the net number of option students to be multiplied by 95.5% of the statewide average basic funding per formula student. The estimated decrease in state aid is \$5.8 million in FY18 and \$2.4 million in FY19.

CHANGES TO LEARNING COMMUNITY TRANSITION AID: Current law provides for transition aid to be paid to schools which were members of a learning community prior to FY2017-18. The aid is to be paid for two fiscal years, in FY18 and FY19, from the Nebraska Education Improvement Fund (lottery proceeds). The bill changes the calculation of community transition aid which reduces the amount allocated to impacted school districts from about \$1.6 million to \$473,000 in FY18 and from about \$801,000 to \$237,000 in FY19. The reduction in lottery funding allocated as learning community transition aid frees up \$1,129,546 in FY18 and \$564,774 in FY19 which will be allocated for other educational activities which are eligible for aid from the Nebraska Education Improvement Fund.

SUMMARY:

LB 409 decreases the amount of TEEOSA aid distributed by an estimated \$47 million in FY18 and \$75 million in FY19. Changes in the formula which result in a decrease in TEEOSA aid are shown on the following page. The decrease in lottery funds for learning

community transition aid will result in a like increase in funding for other educational activities funded with lottery proceeds, so the bill has no net fiscal impact in terms of the total amount of lottery funds allocated for educational purposes.

	FY2017-18	FY2018-19
Current Estimated State Aid	\$1,046,943,592	\$1,102,315,575
Reduce Cost Growth Factor	-\$21,452,050	-\$48,122,552
Increase Local Effort Rate	-\$19,799,987	-\$24,335,855
Reduce Net Option Funding	-\$5,820,246	-\$2,405,224
Reduce Learning Comm. Transition Aid *	<u>-\$1,129,546</u>	<u>-\$236,672</u>
Total Estimated State Aid	\$998,741,763	\$1,027,215,272
Decrease in TEEOSA Aid per LB 409	-\$48,201,829	-\$75,100,303
General Funds	\$47,072,283	\$74,863,631
Cash Funds (lottery)*	\$1,129,546	\$236,672
Total Funds	\$48,201,829	\$75,100,303

*will be allocated for other educational purposes

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 409	AM: 955	AGENCY/POLT. SUB: Dept. of Education
REVIEWED BY: James Van Bruggen	DATE: 4/18/17	PHONE: (402) 471-4179
COMMENTS: Department of Education's estimates appear reasonable.		

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2017

LB⁽¹⁾ 409 AM955

FISCAL
NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Dept. of Education

Prepared by: ⁽³⁾ Jen Utemark Date Prepared: ⁽⁴⁾ 4/13/17 Phone: ⁽⁵⁾ 402-471-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	(\$47,072,283)			
CASH FUNDS	(\$1,129,546)			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$48,201,829)			

Explanation of Estimate:

LB 409 and committee amendment AM955 changes the formula which provides state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA). The fiscal estimate for FY18 is based upon a comparison of the aid that would have been distributed in FY18 pursuant to current law and the aid that will be allocated per LB 409 and committee amendment AM955.

CHANGES TO NEEDS IN THE TEEOSA FORMULA

The bill changes the computation of school district needs in the TEEOSA 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 1.0% from 2.5% to 1.5% for FY18 and FY19. The change in the rate decreases the cost growth factor in the formula which is used to grow 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 4.0% and 3.0% for FY19. The cost growth factor will be 4.0% for FY20 and return to 5% in FY21 pursuant to the bill. A decrease in the cost growth factor reduces the amount of TEEOSA Aid provided as basic funding.

CHANGES TO RESOURCES IN THE TEEOSA FORMULA

This bill changes the computation of school district resources in the TEEOSA Aid formula. The change which will have a fiscal impact is as follows:

Local Effort Rate: The local effort rate in the formula is currently set at \$1.00 for FY18 and FY19. LB 409 and committee amendment increases the local effort rate to \$1.0203 in each fiscal year. An increase in the local effort rate reduces the amount of TEEOSA Aid provided to school districts because the formula assumes a district has increased resources.

Net Option Funding: Current net option funding is calculated as the sum of the product of the net number of option students multiplied by the statewide average basic funding per formula student. Under the committee amendments to LB 409, net option funding would equal the sum of the product of the net number of option students multiplied by 95.5% of the statewide average basic funding per formula student for FY18 and FY19.

CHANGES TO TRANSITION AID

Under current statute, §79-10,145 calculates the FY18 aid without the inclusion of the Community Achievement Plan pursuant to section 79-1005. Transition Aid is based on total resources available to each school district that is a member in a learning community which levied a common levy for member school districts prior to FY18. The calculated FY18 Community Achievement Plan Aid was not paid in the FY17 school fiscal year, but is an element of total resources available to each school district in a learning community for FY18.

SUMMARY

LB 409 and committee amendment AM955 decreases the amount of TEEOSA Aid distributed by an estimated \$48.2 million in FY18. FY19 forecasted fiscal impact cannot be determined at this time. Changes in the formula which result in a decrease in TEEOSA Aid are shown below:

	FY2017-18
Current Estimated TEEOSA Aid	\$ 1,046,943,592
Reduce Cost Growth Factor	\$ (21,452,050)
Increase Local Effort Rate	\$ (19,799,987)
Reduce Net Option Funding	\$ (5,820,246)
Transition Aid Update	\$ (1,129,546)
Total Estimate TEEOSA Aid	\$ 998,741,763
Decrease in Aid per LB409 (AM955)	\$ (48,201,829)

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			(\$48,201,829)	
Capital improvements.....				
TOTAL.....			(\$48,201,829)	