

MWD

PREPARED BY: Sandy Sostad
DATE PREPARED: January 25, 2011
PHONE: 471-0054

LB 364

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|--|--------------|---------|----------------|---------|
| | FY 2011-12 | | FY 2012-13 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | (\$23,930,647) | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | (\$23,930,647) | |

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 364 changes provisions of the Tax Equity and Educational Opportunities Support Act. The bill amends the act by eliminating two allowances and an adjustment in the state aid formula. The instructional time allowance and the teacher education allowance are eliminated as is the student growth adjustment, beginning with state aid for FY2012-13.

Generally, adjustments in the state aid formula increase the total amount of state aid allocated to schools. So, the elimination of the student growth adjustment reduces the amount of state aid provided to schools via the adjustment. Allowances are provided in the formula to attribute expenditures incurred for the activity associated with the allowance to a school district actually incurring the expenditures. A repeal of an allowance increases basic funding for school districts.

Normally, there would be no fiscal impact if an allowance is changed or repealed and there will be decreased expenditures if an adjustment is repealed. However, because the repeal of the allowances changes basic funding, there is an interaction with the averaging adjustment and adjustment to stabilize needs in the formula. The repeal of the student growth adjustment also interacts with the needs stabilization component of the formula.

Using state aid estimates for FY2011-12, the collective repeal of the student growth adjustment and the instructional time and teacher education allowances reduces the amount of state aid distributed by a total of \$23.9 million.

DEPARTMENT OF ADMINISTRATIVE SERVICES

| | | | |
|-------------|--------------|---------|----------------|
| REVIEWED BY | Matthew Eash | 1/27/11 | PHONE 471-2526 |
|-------------|--------------|---------|----------------|

COMMENTS

DEPT OF EDUCATION - Generally concur with the Department of Education that any fiscal impact would be due primarily to the elimination of the Student Growth Adjustment, which would directly reduce total formula need and also result in more districts receiving negative Needs Stabilization. Basic Funding would increase as a result of the elimination of the Instructional Time and Teacher Education allowances, but this would significantly reduce the averaging adjustment for most districts. Some urban districts also would experience significant increases to their Basic Funding even though they did not qualify for the allowances, primarily due to higher reported basic funding of other districts in their arrays. The increase to basic funding for urban districts not receiving these two allowances may actually generate substantially more statewide formula need than if the allowances were not eliminated for all other districts. Therefore, leaving wide latitude in assumptions for projected GFOE, the general fund reduction to state aid is estimated to range from \$7,000,000 to \$30,000,000.

LB 364 FISCAL NOTE

JAN 25 2011
LEGISLATIVE FISCAL 2011

State Agency OR Political Subdivision Name: NDE/School Finance & Organization Services

Prepared by: Inbody, Wilson Date Prepared: 1-21-2011 Phone: 1-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2011-12</u> | | <u>FY 2012-13</u> | |
|---------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This bill would change the calculation of adjusted general fund operating expenditures (AdjGFOE) in the Tax Equity and Educational Opportunities Support Act (TEEOSA state aid to schools). This bill would remove the instructional time allowance, the teacher education allowance and the student growth adjustment from the calculation of formula needs beginning with the 2011/12 calculation of TEEOSA state aid to schools.

MAJOR OBJECTS OF EXPENDITURES

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2011-12</u> | <u>2012-13</u> |
|----------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>11-12</u> | <u>12-13</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefit | _____ | _____ | _____ | _____ |
| Operating | _____ | _____ | _____ | _____ |
| Travel | _____ | _____ | _____ | _____ |
| Capital outlay | _____ | _____ | _____ | _____ |
| Aid | _____ | _____ | _____ | _____ |
| Capital improvements | _____ | _____ | _____ | _____ |
| TOTAL | _____ | _____ | <u>0</u> | <u>0</u> |

Fiscal Impact:

Removing the Instructional Time Allowance and the Teacher Education Allowance would have minimal effect on the total amount of State Aid Certified. Removing the Student Growth Adjustment would save a little more than \$11 million each year on State Aid, directly related to that adjustment, based on the 2010/2011 State Aid Calculation. In addition, removing the Student Growth Adjustment would also have an effect on Needs Stabilization as it could result in more schools becoming Needs Stabilized up to their prior year recalculated formula need. However, the more likely scenario is a decrease in needs stabilization as school districts that are currently receiving the student growth adjustment would become negatively needs stabilized. Districts that are growing tend to increase formula need sometimes more than the 12% currently allowed under the needs stabilization statute. The statute currently allows these districts to increase their formula need over 12% due to a provision that allows districts that receive the student growth adjustment to exceed the maximum amount of gain allowed for other districts. The amount of this change cannot be determined at this time.