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LB 381

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	(\$103,420)		(\$163,920)	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	(\$103,420)		(\$163,920)	

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

LB 381 relates to education. The bill repeals provisions requiring a student achievement coordinator at the State Department of Education (NDE) and eliminates the Compact for Education. Beginning July 1, 2011, educational service units are not to serve any Class IV or V school district and ESU's serving only a Class IV or V district are dissolved. The bill is operative on July 1, 2011.

Student Achievement Coordinator: The repeal of the requirement for the state to have a student achievement coordinator reduces annual general fund expenditures for NDE by \$103,420.

Compact for Education: The elimination of statutes relating to the Compact for Education will reduce general fund expenditures for the state to belong to the compact. The state must give a two year notice before it is able to withdraw from the compact, so \$60,500 of general funds currently expended by NDE will be saved beginning in FY2012-13.

Dissolution of single district ESU's: The provisions of the bill with regard to the dissolution of single district ESU's (Lincoln & Omaha) eliminates expenditures by these entities beginning in FY 2011-12. ESU's have the authority to levy a property tax of 1.5 cents and also receive state aid for operations. Other resources from federal grants and contracts are also received.

Information from the Certificate of Property Taxes Levied shows that ESU's 18 and 19 were at the maximum 1.5 cent levy for 2010. The levy generated \$2,443,966 of property taxes for ESU 18 and \$2,884,642 for ESU 19. Passage of the bill eliminates the property taxes levied to support the ESU's.

In FY 2010-11, the state provides a total of \$2,804,819 of general funds for aid to ESU's 18 and 19 (\$1,246,307 to ESU 18 and \$1,558,512 to ESU 19). The elimination of state aid for the two ESU's will not reduce the overall amount of aid distributed to ESU's because the formula allocates the amount of state aid appropriated by the Legislature. Reduced aid pursuant to dissolution of the ESU's will be shifted to the other ESU's, unless the appropriation for state aid to ESU's is reduced.

The latest AFR information available for ESU's for FY 2008-09 shows total disbursements from all fund sources for ESU 18 of \$7.8 million and \$15.4 million for ESU 19. It is assumed the other resources received by the ESU's will shift to the budgets of the two school districts after the ESU's are dissolved if the services are continued by the school districts.

The elimination of the ESU's will have an unknown fiscal impact for Lincoln and Omaha public schools. The loss of resources for services provided to students in the two school districts will result in reduced expenditures for services and/or an increase in the school property tax levy to continue services which are currently provided with ESU resources.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Matt Eash	DATE	2/11/11	PHONE	471-2526
COMMENTS					
EDUCATIONAL SERVICE UNIT COORDINATING COUNCIL: The ESU aid formula does not appear to penalize the Learning Community if ESU 19 is eliminated. Formula calculations for the Learning Community affect "member districts" and appear to refer to districts that are members of the Learning Community, and not to districts that are members of ESU 19. However, a statutory definition for "member districts" would provide useful clarification with respect to the application of the sparsity adjustment.					

DEPARTMENT OF ADMINISTRATIVE SERVICES COMMENT, CONTINUED:

Considering potential shifts in formula distribution from year to year, the elimination of ESU 18 and 19 will result in annual General Fund savings, as of FY 2011-12, estimated to range approximately from \$2,300,000 to \$2,800,000.

There may be an increase in TEEOSA formula need two years after LPS and OPS spend approximately \$5,000,000 in ESU cash reserves that will be transferred to the two districts pursuant to this Bill. Assuming LPS and OPS spent these funds immediately in FY2011-12, this would likely result in a small General Fund increase to total TEEOSA Aid in FY 2013-14, which would be reflected in higher basic funding levels for these school districts & other districts in their basic funding arrays.

Based on the Department of Revenue Property Assessment Division report of FY10 property valuations, elimination of the 1.5-cent property tax levy for ESU 18 and 19 will reduce property taxes to Lincoln and Omaha residents by approximately \$5,300,000.

