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PREPARED BY:
DATE PREPARED:
PHONE:

Sandy Sostad
February 07, 2012
471-0054

LB 1156

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1156 amends provisions of the Tax Equity and Educational Opportunities Support Act (TEEOSA). The bill eliminates expenditure limitations for school districts not receiving equalization aid in the state aid formula. The repeal of the expenditure lid appears to begin in FY2012-13. The bill also repeals requirements for non-equalized districts to comply with current allowable reserve percentages and to submit certain budget statements to the State Department of Education (NDE).

Based on state aid distributed in FY2011-12, there are 95 districts which do not receive equalization aid out of a total of 251 districts. The number of non-equalized districts varies annually depending upon needs and resources of individual districts. The bill provides that non-equalized districts will only be constrained by the levy limit (\$1.05) in terms of annual increases in spending and/ or increases in budget reserves. In 2011, the average general fund levy of non-equalized school districts is \$.935. So, the majority of non-equalized school districts are substantially below the levy maximum.

The fiscal impact of the bill in terms of state aid depends upon whether non-equalized school districts opt to spend more pursuant to the bill. It should be noted that many of the districts are not at the levy limit now and may have unused budget authority, so they could opt to levy and spend more under existing law. Increased spending by non-equalized districts may increase the state aid provided as basic funding for school districts in the array of twenty schools with a non-equalized district. However, the basic funding will not be impacted if the non-equalized district is the highest or second highest spending district in the grouping.

The spending decisions of non-equalized districts pursuant to the bill are unknown. It is assumed state aid will increase in the future pursuant to the bill by an unknown amount if the spending of non-equalized districts is currently constrained by the expenditure lid. A fiscal impact cannot be determined. Additional spending by school districts which increases basic funding in the formula results in increased state aid, two years after the spending increase occurs.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	2/10/12	PHONE 471-2526
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COMMENTS

DEPT. OF EDUCATION

Impact to TEEOSA:

Based on current law, there are approximately 100 non-equalized districts in the state. Using a scenario that non-equalized districts increased spending by 5 percent above current spending, this would increase TEEOSA state aid by approximately \$7.6 million two years later. This would be caused primarily by these non-equalized districts' raising the basic funding of equalized districts in their basic funding arrays. There may also be some districts that would become equalized in TEEOSA, which would also be a contributor to an increase in TEEOSA state aid.

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LEGISLATIVE FISCAL

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LB⁽¹⁾ 1156 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Department of Education

Prepared by: (3) Bergquist, Eret Date Prepared: (4) January 24, 2012 Phone: (5) 402-471-0526

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

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

Explanation of Estimate:

The bill will remove non-equalized school districts from the provisions of the expenditure lid. The bill does not address removing non-equalized school districts from the levy lid. A non-equalized school district is defined as a school district that does not receive Equalization Aid in the calculation of State Aid. This bill also appears to exempt non-equalized schools from the applicable allowable reserve percentage limitation and from submitting a budget document to NDE. The bill may help non-equalized school districts, which are generally smaller schools districts with rural populations, generate additional expenditures for the operation and maintenance of the school district. There are 97 non-equalized school districts in 2011/12. The number of non-equalized school districts changes each year.

Because this bill appears to allow increased costs for non-equalized school districts, this may translate into additional revenues to fund the increased costs. This may cause an increase in property taxes. However, since the bill does not exempt the non-equalized school districts from the levy lid, the increase in expenditures could not be more than the property tax that could be generated at \$1.05 plus levy exclusions and the assessed valuation of the non-equalized school districts.

The increased expenditures may also translate into an increase in basic funding in the array for each non-equalized school district. This increase could generate additional TEEOSA aid for the non-equalized school districts; or, it may result in a shifting of the funds between all school districts.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013	2013-2014
	12-13	13-14	EXPENDITURES	EXPENDITURES
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

LB⁽¹⁾ 1156 FISCAL NOTE (continued)

Fiscal Impact

To NDE: None.

To School Districts: Without knowing the decision of the local boards of education of non-equalized school districts to increase its expenditures as much as the levy lid would allow, a dollar amount of the fiscal impact to non-equalized school districts is not known at this time.