

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS		See below		See below
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB1026 would create the Nebraska Educational Trust Fund (NET Fund). The bill further states that the purpose of the fund is to stabilize the total amount of state aid to education when there is a significant decline in revenue from income tax and sales taxes.

The bill provides that a portion of the General Fund balance that equals to ten percent of the amount appropriated for state aid to public schools shall be credited to the Nebraska Educational Trust Fund. The bill does not provide a specific date for this transfer so it's unclear if this transfer is a one-time occurrence or if it occurs annually, biennially, etc... It's also assumed that reference to the "amount appropriated for state aid" would include not just TEEOSA state aid but all other state aid including Special Education. If it's assumed that it's a one-time transfer at the end of FY2014-15, this would be approximately \$114 million. One complication is in this scenario, transferring this \$114 million to the NET Fund would leave the General Fund about \$75 million below the minimum reserve requirement.

The bill further provides that funds MAY be transferred from the General Fund to the NET Fund or from the NET Fund back to the General Fund. Note that the bill does not mandate or cause any specific transfer but provides for specific conditions for when the transfers may be made by the Legislature. If revenue growth in a year is above the 10 year historical average, the Legislature may transfer the amounts equal to the difference between the calculated growth and the 10 year average but only to the extent that the amount transferred brings the balance to a level not more than 10% of the appropriation for aid to schools. If there is a year of significant decline in revenue (defined as a decrease which is equal or greater to 5% below the 10 year average) than the Legislature may transfer funds to the TEEOSA fund for distribution as school aid. In this case there is no guideline as to the amount of funds that should be transferred, it's at the discretion of the Legislature.

In summary the fiscal impact of this bill cannot be calculated. First, it's unknown when and how often the transfer from the General Fund balance to the NET Fund will occur. Second, because the transfers are all optional it's unknown what amount of transfers would actually occur. With the limitation of transfers into the NET Fund limited to an amount to maintain a balance of no more than 10% of aid to schools the highest balance it could achieve would be approximately \$114 million. Third, if amounts transferred to TEEOSA actually occur, under current law this additional source of "revenue" would be used to offset General Fund appropriations. Technically the TEEOSA formula determines the amount of aid so without statutory changes to the TEEOSA formula any additional funds that would come back from the NET Fund would go to reduce the General Fund.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 1026	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Matthew Eash	DATE: 2/4/2014	PHONE: <a href="tel:402-471-4175">402-471-4175</a>
COMMENTS:		
<p>LB 1026, Section 1, seems to require that a portion of the General Fund balance necessary to satisfy the statutory 3% minimum reserve would be "credited" to the Nebraska Educational Trust Fund (for the purposes of this analysis, it is assumed that "credited" means "transferred"). Any such transfer(s) would reduce the General Fund balance below the statutory 3% minimum reserve requirement maintained in the state treasury to address cash flow requirements of the General Fund.</p> <p>The language neither specifies a date by which any fund transfer shall be made, nor does it limit the repetition of this required transfer across subsequent fiscal years. The amount of any one General Fund transfer would be 10% of the total amount appropriated in that same fiscal year for state aid to public schools. The language does not limit the computation of total state aid to any specific school aid program(s). It also does not indicate which fund sources shall be included for the computation of total state aid. For FY 2014-15, as of current law, General Fund appropriations for all state aid programs to schools are approximately \$1.13 billion, Federal appropriations are approximately \$291 million; and Cash Fund appropriations are approximately \$11 million. Additionally, it is estimated for FY 2014-15 that approximately \$46 million will be distributed to schools from the Temporary School (Trust) Fund due to apportionment of school land income; and approximately \$19.4 million will be distributed as state aid to schools from the Insurance Tax (Distributive) Fund due the allocation of Insurance Premium Tax revenue. Depending on the inclusion or exclusion of any of these fund sources for computing 10% of total state aid, a transfer from the General Fund to the trust fund in FY 2014-15 would be approximately \$113 million to \$150 million.</p> <p>LB 1026 also authorizes that additional amounts "may be appropriated to the trust fund" whenever state revenues (income and sales taxes) increase beyond the historic 10-year average growth rate. The language in this paragraph appears to intend for a transfer to the trust fund rather than an appropriation.</p>		

Please complete ALL (5) blanks in the first three lines.

**2014**

**LB<sup>(1)</sup> 1026**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

NDE/School Finance & Organization Services

Prepared by: <sup>(3)</sup> Wilson/Inbody

Date Prepared: <sup>(4)</sup> January 23, 2014

Phone: <sup>(5)</sup> 1-3323

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	=====	=====	=====	=====

**Explanation of Estimate:** LB 1026 would redirect current revenue into the Nebraska Education Trust Fund. The fund is capped at 10% of the state aid amount certified for the current year. The expenditures for each year cannot be determined at this time.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____