

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$20,326,800 - \$20,826,800	(\$9,000,000)	\$5,825,500 - \$15,075,500	(\$9,000,000)
CASH FUNDS	\$30,000,000		\$45,000,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$50,326,800 - \$50,826,800	(\$9,000,000)	\$50,825,500 – \$60,075,500	(\$9,000,000)

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

LB 1100 is the Quality Education Trust Act. The bill establishes a Nebraska Teacher Trust Fund. The bill provides for the Nebraska Teacher Trust Fund to consist of \$200,000,000 of the Cash Reserve Fund, which shall remain in the Cash Reserve Fund, on the effective date of the bill. The interest earned on the \$200 million is placed in the Nebraska Teacher Trust Fund and accrues to the Teacher Compensation Cash Fund to provide an on-going appropriation to school districts for supplemental teacher salaries.

The bill also reallocates revenue currently distributed as state apportionment to school districts to the Teacher Compensation Cash Fund beginning in 2008-09. Revenue derived from sales and use taxes from sellers registering through the electronic central registration system of the Streamlined Sales Tax Governing Board is also deposited in the fund beginning in 2008-09. The majority of lottery proceeds from the Education Innovation Fund are deposited in the Compensation Cash Fund beginning in 2016-17.

A district is to receive funding from the Teacher Compensation Cash Fund based upon the ratio of the number of teachers employed by the district to the total number of teachers employed by all districts times the amount available for distribution.

A ten-member Nebraska Teacher Trust Fund Board of Trustees is created to monitor the development of the trust corpus and the impact of the trust on teacher compensation. The board also has the authority to approve endowment agreements to transfer funds from the trust to other state-managed endowment funds to advance the teaching profession and student learning.

The bill establishes a Professional Teacher Knowledge and Skills Pilot Program in the State Department of Education (NDE) to develop and evaluate alternative teacher compensation models. NDE is required to award a maximum of ten plan development grants to school districts in 2008-09. The grants shall be at least \$25,000 and not more than \$75,000. After the grant is concluded, a school may apply for a pilot implementation grant. It is assumed these grants will be distributed in 2009-10. Up to ten grants may be awarded of at least \$75,000 to a maximum of \$1,000,000 for each year of the grant program.

Grant funds received through the pilot program are considered to be a part of the special receipts allowance for state aid purposes and a budget lid exception is provided equal to the amount of the grants. The number of years for the grant program is not specified. Since the bill does not provide for the pilot program to be funded from the Teacher Compensation Cash Fund, it is assumed the pilot programs will be provided with general funds.

Fiscal Impact for Teacher Compensation Cash Fund:

The bill provides for interest earned on \$200 million of the Cash Reserve Fund to accrue to the Teacher Compensation Cash Fund beginning in 2008-09. This will result in annual income of about \$9 million for the fund, assuming an interest rate of 4.5%. Beginning in 2008-09, proceeds of the Temporary School Fund that are currently received by school districts as state apportionment will be deposited in the Teacher Compensation Cash Fund, as well as sales and use taxes from sellers registered with the electronic central registration system. The majority of lottery proceeds from the Education Innovation Fund will be placed in the fund beginning in 2016-17.

The bill specifies that \$30 million will be appropriated from the fund in 2008-09 and \$90 million will be appropriated in the following biennium. The bill is unclear as to the source of funding for the board of trustees. It is assumed board expenses and support by NDE will be paid from the Cash Fund at an estimated cost of \$10,000 per year. The following table shows the estimated fiscal impact of the bill for the Teacher Compensation Cash Fund:

Teacher Compensation Cash Fund				
	2008-09	2009-10	2010-11	2011-12
Revenues:				
NE Teacher Trust Fund - Interest	9,000,000	9,000,000	9,000,000	9,000,000
Temporary School Fund	31,500,000	33,100,000	34,800,000	36,500,000
Sales & Use Taxes	?	?	?	?
Lottery (begins in 2016-17)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	40,500,000	42,100,000	35,700,000	37,400,000
Expenditures:				
Professional Teacher Comp. Prog.- Admin. & Grants	30,000,000	45,000,000	45,000,000	?

Fiscal Impact for the General Fund: The bill provides for interest earned on \$200 million of the Cash Reserve Fund to accrue to the Teacher Compensation Cash Fund beginning in 2008-09. This will result in an annual loss in revenue for the General Fund of approximately \$9 million.

There will be increased expenditures for NDE to administer the Professional Teacher Knowledge and Skills Pilot Program. NDE estimates the need for one FTE to administer the program in 2008-09 and 2009-10. It is assumed NDE will contract for the employee for a two-year period at an estimated cost of \$76,800 in 2008-09 and \$75,500 in 2009-10 for the employee and operating expenses.

It is assumed general funds will provide the grants for the Professional Teacher Knowledge and Skills Pilot Program. Plan development grants are projected to range from \$250,000 to \$750,000 in 2008-09. Assuming all pilot implementation grants are awarded in 2009-10, the fiscal impact will range from \$750,000 to \$10,000,000.

School districts will no longer receive state apportionment from the temporary school fund beginning in 2008-09. The estimated distribution is \$31.5 million in 2008-09 and \$33.1 million in 2009-10. Since two year data is used in the state aid formula, school districts will need to utilize property taxes to cover the loss of state revenue for two fiscal years. Beginning in 2010-11, state aid will be increased to offset the loss of the local resource. It is estimated the fiscal impact for the state in terms of increased state aid for equalized schools will be \$28.5 million in 2010-11 and \$30.1 million in 2011-12. School districts which are non-equalized for state aid purposes will experience an on-going loss in revenue for the general fund budget because state aid will not replace the loss of state apportionment.

The bill specifies that \$20 million will be appropriated from the General fund in 2008-09 and \$10 million will be appropriated in the following biennium for the Professional Teacher Compensation Program. The funds are in addition to \$30 million appropriated from the Teacher Compensation Cash Fund in 2008-09 and \$90 million appropriated in the following biennium. LB 1100 provides that amounts paid to teachers by the Professional Teacher Compensation Program may be part of the regular payroll check provided to a teacher. Assuming this to be the case, the expenses will become part of general fund operating expenses for state aid purposes, which will increase state aid paid by a like amount two years later.

The following table shows the estimated fiscal impact of the bill for the General Fund:

General Fund:				
	2008-09	2009-10	2010-11	2011-12
Expenditures:				
NDE Staff & Operations	76,800	75,500	75,500	75,500
Professional Teacher Comp. Prog.	20,000,000	5,000,000	5,000,000	0
Prof. Teacher Knowledge & Skills Compensation Pilot Prog -				
Plan Development Grants	250,000 - 750,000	0	0	0
Pilot Implementation Grants	0	750,000 - 10,000,000	0	0
State Aid -				
Apportionment no longer a local resource	0	0	28,500,000	30,100,000
Teacher compensation in GFOE	<u>0</u>	<u>0</u>	<u>30,000,000</u>	<u>45,000,000</u>
Total Expenditures	20,326,800 - 20,826,800	5,825,500 - 15,075,500	63,575,500	75,175,500
Revenue:				
Interest Loss for General Fund	<u>9,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>	<u>9,000,000</u>
Net General Fund Impact	29,326,800 - 29,826,800	14,825,500 - 24,075,500	72,575,500	84,175,500

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
DEPT. OF EDUCATION – Concur.					