

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2010-11 | | FY 2011-12 | |
| | 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 966 is the Classroom Educational Expenditure Act. The bill provides that no school district shall spend less than 65% of its total operating expenditures on direct classroom instruction in any consecutive three year period. The bill defines direct classroom instruction and total operating expenditures. Districts not meeting this requirement are ineligible for accreditation. The act is operative for all school fiscal years beginning after September 1, 2013. School fiscal years 2011-12 and 2012-13 are included for purposes of the three year requirement.

Using the most recent Annual Financial Reports (AFR) of school districts for 2006-07, 2007-08 and 2008-09, the following table shows how the requirements of the bill would have been calculated on a statewide basis. Collectively, school districts would not have met the requirements of the bill in 2006-07 and 2007-08, but would have in 2008-09.

| | 2006-07 | 2007-08 | 2008-09 |
|--|----------------|----------------|----------------|
| Direct Classroom Instruction | 1,559,708,705 | 1,666,500,178 | 1,763,583,758 |
| Total Operating Expenditures* | 2,427,990,611 | 2,573,733,683 | 2,711,640,402 |
| Instruction as % of Oper. Expend. | 64.24% | 64.75% | 65.04% |

*Total General Fund Expenditures per the Annual Financial Report plus categorical grants from corporations and other private interests

If expenditures for districts in 2008-09 are examined on an individual rather than collective basis, then some districts would not have met the 65% requirement. The following table shows the number of districts based upon enrollment size that met the 65% threshold in 2008-09. The table shows that 140 of 254 districts, or 55% of the districts in the state, are spending less than 65% on instruction, when instruction is compared to operating expenditures as defined in the bill. The districts which collectively spend less than 65% on instruction are those with 1,000 or less students and 5,000 or more students.

| Enrollment Size of Districts | Total # of Districts | Instruction as % of Oper. Exps. | # of Districts < 65% |
|-------------------------------------|---------------------------------|--|------------------------------------|
| < 250 | 86 | 61.66% | 60 |
| 250-500 | 81 | 63.73% | 42 |
| 500-1,000 | 49 | 64.98% | 28 |
| 1,000-2,000 | 16 | 67.07% | 3 |
| 2,000-5,000 | 15 | 67.65% | 4 |
| >5,000 | 7 | 64.65% | 3 |
| Total | 254 | 65.04% | 140 |

LB 966, CONTINUED

School districts which do not comply with the requirement to spend 65% of total operating expenditures on direct classroom instruction will not be accredited. The ultimate penalty for nonaccreditation is the loss of authority to operate and reassignment of territory to other school districts.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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|---|-----------|------|--------|-------|----------|
| REVIEWED BY | Matt Eash | DATE | 2/1/10 | PHONE | 471-2526 |
| COMMENTS | | | | | |
| DEPT. OF EDUCATION – No fiscal impact to state aid formula; no fiscal impact to schools other than reallocation of existing resources. No impact to NDE. | | | | | |