



Ninety-Seventh Legislature - First Session - 2001
Introducer's Statement of Intent
LB 748

Chairperson: Senator Ron Raikes
Committee: Education
Date of Hearing: February 13, 2001

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Legislative Bill 748 phases in changes in the state aid formula. New sections provide a new method for calculating the cost per student to be used in the calculation of state aid. A spending history index is created to adjust the formula cost per student and the applicable allowable growth rates for local systems. Provisions for net option funding, the School Finance Review Committee, and the Hardship Fund are amended to reflect the new cost per student calculations. The minimum number of adjusted formula students for extremely remote systems is phased out and a sunset is put on the "stabilization," "lop-off," and "small school stabilization" provisions.

Adding to the Tax Equity and Educational Opportunities Support Act

Section 79-1001 is amended by adding the new sections to the Tax Equity and Educational Opportunities Support Act.

Minimum Adjusted Formula Students for Extremely Remote Systems

Currently, § 79-1007.01 provides a minimum of 150 adjusted formula students for local systems that qualify for extreme remoteness and increases the number of adjusted formula students to that minimum for systems that do not otherwise meet the minimum. This provision is phased out by using a minimum of 135 for 2002-03 and 120 for 2003-04. The minimum is eliminated beginning with 2004-05.

The Cost per Student Calculation

Section 79-1007.02 is amended by limiting the current calculation for the average formula cost per student in each cost grouping to school fiscal years through 2003-04. The equation for calculating local system formula need is limited to school fiscal years through 2001-02. New sections phase in changes in the calculation. However, the basic calculation remains:

Transportation Allowance + Special Receipts Allowance + Student Based Component.

The current student based component is the adjusted formula students multiplied by the average formula cost per student for the local system's cost grouping. In both methodologies, weighted

formula students have been weighted according to grade ranges. Adjusted formula students have been both weighted according to grade ranges and adjusted for the demographic factors. The average formula cost per student for the local system's cost grouping is basically calculated by dividing the general fund operating expenditures for the cost grouping (as grown to reflect potential growth in expenditures) by the adjusted formula students for that cost grouping.

New Formula Cost per Student - The Elements of the Calculation

For the new methodology, a preliminary formula cost per student is initially calculated. Beginning in 2003-04 the preliminary formula cost per student would be adjusted by the spending index to become the local system formula cost per student. For 2002-03, the preliminary formula cost per student would be the local system formula cost per student.

The preliminary cost per student would equal:

1. For local systems in the very sparse cost grouping:
 - a. With 500 or more weighted formula students, the typical cost per student for the local system; or
 - b. With less than 500 weighted formula students, the typical cost per student for a local system with 500 weighted formula students + 90% of (the typical cost per student for the local system - the typical cost per student for a local system with 500 weighted formula students);
2. For local systems in the sparse cost grouping:
 - a. With 700 or more weighted formula students, the typical cost per student for the local system; or
 - b. With less than 700 weighted formula students, the typical cost per student for a local system with 700 weighted formula students + 50% of (the typical cost per student for the local system - the typical cost per student for a local system with 700 weighted formula students); and
3. For local systems in the standard cost grouping:
 - a. With 1,250 or more weighted formula students, the typical cost per student for the local system; or
 - b. With less than 1,250 weighted formula students, the typical cost per student for a local system with 1,250 weighted formula students + 10% of (the typical cost per student for the local system - the typical cost per student for a local system with 1,250 weighted formula students).

The typical cost per student for each local system = (System Cost / Weighted Formula Students) + Basic Student Cost + (Demographic Ratio * Demographic Coefficient) + (Scale Coefficient * Weighted Formula Students).

For 2002-03, system costs would equal:

1. \$200,850 for local systems in the very sparse cost grouping;
2. \$226,600 for local systems in the sparse cost grouping; and
3. \$278,100 for local systems in the standard cost grouping.

For each year thereafter, the system cost for each cost grouping would be increased by the cost growth factor.

For 2002-03, the basic student cost would equal:

1. \$2,668 for local systems in the very sparse cost grouping;
2. \$2,359 for local systems in the very sparse cost grouping; and
3. \$2,050 for local systems in the standard cost grouping.

For each year thereafter, the basic student cost for each cost grouping will be increased by the cost growth factor.

Demographic Coefficient will equal \$2,318 for 2002-03. For each year thereafter, the demographic coefficient would be increased by the cost growth factor.

$$\text{Demographic ratio} = 1 + \frac{[(\text{Adjusted Formula Students} - \text{Weighted Formula Students}) * 2]}{\text{Weighted Formula Students}}$$

The scale coefficient would equal 0.00618 for 2002-03. For each year thereafter, the scale coefficient of the immediately preceding school fiscal year would be increased by the cost growth factor.

The cost growth factor = 1 + Basic Allowable Growth Rate for Aid Distribution Year + (50% * Additional Growth Allowed by Special Action of the School Boards).

The spending index would equal the lesser of 50% of (1 + Spending Ratio) or 1. The spending ratio is equal to:

$$\frac{\text{Adjusted General Fund Operating Expenditures}}{\text{Preliminary Formula Cost per Student} * \text{Weighted Formula Students}}$$

The Phase In of the New Formula Cost per Student

For 2002-03, the student based component would equal:

(67% * Adjusted Formula Students * Average Cost Grouping Cost per Student Under the Current Methodology) + (33% * Weighted Formula Student * Formula Cost per Student with the New Methodology)

For 2003-04, the student based component would equal:

(33% * Adjusted Formula Students * Average Cost Grouping Cost per Student Under the Current Methodology) + (67% * Weighted Formula Students * Formula Cost per Student with the New Methodology)

For 2004-05 and each school fiscal year thereafter, the student based component would equal:

Weighted Formula Students * Formula Cost per Student with the New Methodology

“Stabilization” and “Lop-Off”

Section 79-1008.01 is amended by limiting “stabilization,” “lop-off,” and “small school stabilization” provisions to school fiscal years prior to school fiscal year 2004-05. A drafting error interferes with carrying out “lop-off” and “small school stabilization” for 2002-03 and 2003-04.

Net Option Funding

Section 79-1009 is amended by modifying the calculation for net option funding. The net option students would be multiplied by:

1. For school fiscal years through 2001-02, the cost derived by the current methodology, which is equal to the weighting factors for the corresponding grade ranges multiplied by the lesser of the statewide average cost grouping cost per student or the cost grouping cost per student for the local system;
2. For 2002-03, 33% of the new formula cost per student of the local system plus 67% of the cost derived by the current methodology;
3. For 2003-04, 67% of the new formula cost per student of the local system plus 33% of the cost derived by the current methodology; and
4. For 2004-05 and each school fiscal year thereafter, the new formula cost per student of the local system.

Applicable Allowable Growth Rate

Section 79-1026 is amended by phasing in a new methodology for determining the applicable allowable growth rate for each local system. The current applicable allowable growth rate is renamed the target budget allowable growth rate. A new spending index allowable growth rate for each local system would equal:

$$[(100\% + \text{basic allowable growth rate}) * (2 - \text{local system spending index})] - 100\%.$$

For school fiscal years prior to 2002-03, the applicable allowable growth rate continues to equal the target budget allowable growth rate. For 2002-03, the applicable allowable growth rate would equal 67% of the target budget allowable growth rate plus 33% of the spending index allowable growth rate. For 2003-04, the applicable allowable growth rate would equal 33% of the target budget allowable growth rate plus 67% of the spending index allowable growth rate. For 2004-05, the applicable allowable growth rate would equal the local system's spending index allowable growth rate.

School Finance Review Committee

Section 79-1032 is amended by replacing cost grouping costs per student with the formula need calculation as an element for review by the School Finance Review Committee.

Hardship Fund

The Hardship Fund provisions in § 79-1072.03 are amended by replacing the cost grouping cost per student with the local system formula cost per student for determining if increased special education expenditures are sufficient to qualify for a loan pursuant to the program.

History

The provisions of this measure were generally contained in LB 715 from 1999 as the bill sat on select file at the end of the 2000 session. The phase in of the various elements is new to this measure.

Principal Introducer:

_____ **Senator Ron Raikes**