

Revised on 4/12/06 based on amendments adopted through 4/11/06.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2006-07		FY 2007-08	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$1,800,000)		
CASH FUNDS	\$1,988,000	\$1,988,000	\$2,250,000	\$2,250,000
Permanent School Fund				(\$40,000,000)
Trust Fund – Early Childhood Endowment		\$5,000,000		\$45,000,000
TOTAL FUNDS	\$1,988,000	\$5,188,000	\$2,250,000	\$7,250,000

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

LB 1256 establishes an endowment fund to provide early childhood education grants to programs for at-risk children from birth to age three. The State Department of Education is to request proposals from private endowments to be the provider for the Nebraska Early Childhood Endowment within 90 days of passage of the bill. The endowment provider must place no less than \$20 million in a private endowment within five years. At least \$1 million must be placed in the endowment prior to December 31, 2006 and a minimum of \$5 million prior to June 30, 2007. All interest, earnings and proceeds from the endowment are deposited into the Early Childhood Endowment Cash Fund at least quarterly to be used for grants, evaluation and technical assistance.

The bill provides for the Early Childhood Endowment Fund to consist of \$40,000,000 of the Cash Reserve Fund, which shall remain in the Cash Reserve Fund, on the effective date of an endowment agreement until June 30, 2007. The interest earned on the \$40 million accrues to the Early Childhood Education Cash Fund. After July 1, 2007, the Early Childhood Endowment Fund will consist of the greater of \$40 million, or 10% of the value of funds belonging to the state for educational purposes (Permanent School Fund), if the constitutional amendment contained in LB 1006 passes in November, 2006. If the amendment does not pass, then the endowment agreement may provide for the obligations of the endowment provider to terminate if another source of funding is not secured.

A six-member Early Childhood Education Endowment Board of Trustees is created to administer the grant program. Grants may be provided to school districts, cooperatives of school districts and educational service units. Grant recipients are eligible for up to 50% of the total budget of the program each year. Continuation grants may be awarded.

Revenue: The bill provides for interest earned on \$40 million of the Cash Reserve Fund to accrue to the Early Childhood Endowment Fund in 2006-07. This will result in a loss in revenue for the General Fund of approximately \$1.8 million in 2006-07.

Assuming a private endowment provider agreement is negotiated in 2006-07, the provider is required to initially deposit at least \$5 million into the endowment fund in 2006-07. Assuming passage of the constitutional amendment, \$40 million from the Permanent School Fund will be deposited in the Early Childhood Endowment Fund in 2007-08. This fiscal note assumes an additional \$5 million will be deposited by the private endowment provider into the fund in 2007-08. Thereafter, a total of \$10 million must be deposited by the provider sometime during the next three years.

The interest from the endowment fund is placed in the Early Childhood Endowment Cash Fund for early childhood grants. Up to 5% of the amount deposited each fiscal year may be used for evaluation and technical assistance. Assuming a 4.5% interest rate, it is estimated there will be approximately \$1,988,000 of interest earnings in 2006-07 and \$2,250,000 in 2007-08. At the time the endowment reaches \$60 million, it is estimated that annual interest earnings will be about \$2,700,000.

Expenditures: The bill provides for the program to be administered by the Early Childhood Education Endowment Board of Trustees. The State Department of Education (NDE) is to provide administrative support. It is assumed administration expenses for the Endowment Board of Trustees will be paid from proceeds of the Early Endowment Cash Fund. Estimated annual expenses for NDE to provide administrative support for the grant program are \$10,000 in 2006-07 and \$8,000 in 2007-08. The remainder of the funds, estimated to be \$1,978,000 in 2006-07 and \$2,242,000 in 2007-08, will be allocated for early childhood grants for programs serving at-risk children from birth to age three or for evaluation and technical assistance.

Interest and earnings from the Permanent School Fund are currently allocated to school districts as state apportionment on an annual basis. A \$40 million decrease in the Permanent School Fund decreases the amount of state apportionment distributed to school districts beginning in 2007-08. The estimated decrease is about \$1.8 million per year. The reduction in apportionment aid decreases local school district resources for purposes of computing state aid (TEEOSA) beginning in 2007-08. The reduction in local resources increases state aid by a like amount two years later. So, an additional \$1.8 million of general funds will be required for TEEOSA aid beginning in 2009-10.