Sandy Sostad January 27, 2015 471-0054

LB 351

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	5-16	FY 2016-17					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS			\$56,210,000					
CASH FUNDS								
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS			\$56,210,000					

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

LB 351 makes changes to the state aid allocated to school districts through the Tax Equity and Educational Opportunities Support Act (TEEOSA). Beginning in FY2016-17, the bill removes the cap on the amount of funds that are disbursed through the formula as allocated income taxes and net option funding and provides for 20% of the aggregate statewide income tax liability of all resident individuals to be included in the formula as allocated income taxes and net option funding. Each school district's allocated income tax funds are calculated by taking 20% of the local district's income tax liability. The bill also eliminates the minimum levy adjustment that reduces allocated income taxes for non-equalized schools which do not levy a minimum required amount.

<u>Changes to Resources in the TEEOSA Formula</u>: Current law caps at \$102,289,817 the amount to be included as a resource for allocated income taxes and net option funding in the TEEOSA formula. Using 2013 income tax data, the amount of allocated income taxes used in the formula per LB 351 will increase from about \$43.6 million to \$296.7 million. Net option funding will remain at the current level of about \$58.7 million.

<u>Net Fiscal Impact</u>: The entire amount of increased allocated income taxes pursuant to the bill does not translate into increased state aid. The increase in resources will only impact school districts not currently receiving equalization aid. The estimated net fiscal impact of including additional allocated income taxes as a resource and eliminating the non-equalized minimum levy adjustment in the formula will be an increase in TEEOSA state aid of \$56.2 million in FY2016-17. The increase in aid will accrue to school districts that do not receive equalization aid through the formula.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB:351	AM:	AGENCY/POLT. Dept of Education					
REVIEWED BY: Ja	ames Van Bruggen		DATE: 1/21/2015	PHONE: 471-4179			
COMMENTS: Thorough analysis of this issue is not possible in a short time frame; however, increasing the income tax rebate would increase local resources and decrease reliance on equalization aid.							

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 351				FISCAL NOTE
State Agency OR Political Subdivision Name: ⁽²⁾		Dept of Educati	on	
Prepared by: ⁽³⁾	Bryce Wilson	Date Prepared: (4)	1/16/15 Phone: (5)	402-471-4320
	ESTIMATE PROVIDED	BY STATE AGENO	<u>CY OR POLITICAL SUBDIVISION (CARACTERICAL SUBDIVISION) (CARACTERICAL SUBDIVISI</u>	ON
	FY 201	5-16	FY 2016	5-17
	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	REVENUE
GENERAL FUND			\$53,000,000	
CASH FUNDS				
FEDERAL FUND	S			
OTHER FUNDS				
TOTAL FUNDS			\$53,000,000	

Explanation of Estimate:

LB 351 increases the allocated income tax rebate in the TEEOSA formula by around \$253 million. The change in the allocated income tax rebate component results in an increase in TEEOSA of \$53,000,000. Only the non-equalized districts would benefit from this increase.

CAKDOWN BY	MAJOR OBJECT	IS OF EXPENDITURE	
		2015-16 EXPENDITURES	2016-17 EXPENDITURES
10 10	10 11		
			\$53,000,000
			\$53,000,000
	NUMBER OF <u>15-16</u> 	NUMBER OF POSITIONS 15-16 16-17	15-16 16-17 EXPENDITURES

Fiscal Note 2015

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFA: 1/30/2015							
Approved by: Len Sloup		Date Prepared:	1/30/2015		Phone: 471-5896		
FY 2015-2016		FY 2016-2017		FY 2017-2018			
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$ 0		\$ 0	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$ 0		\$ 0	

State A man an Estimate

LB 351 changes aid to school districts to twenty percent of the aggregate statewide income tax liability of all resident individuals minus the total amount paid as option payments based on the certification by the Tax Commissioner of the preceding tax year's income tax liability of resident individuals for each local school system and eliminates the minimum levy adjustment for local school districts for purposes of state aid. The Department of Education is required to calculate the allocation to each local school system's allocated income tax funds. Currently, the amount distributed based on the income tax liability of resident individual taxpayers is the dollar amount distributed in 1992-93, less option student payments. The increase applies for school fiscal year 2016-17 and each school fiscal year thereafter.

It is estimated that increases to the allocated income tax funds may result in higher costs to TEEOSA, which would have an impact on expenditures. The amount of the increase cannot be determined by the Department of Revenue.

It is estimated that there will be no cost to the Department to implement this bill.

Major Objects of Expenditure									
<u>Class Code</u>	Classification Title	15-16 <u>FTE</u>	16-17 <u>FTE</u>	17-18 <u>FTE</u>	15-16 <u>Expenditures</u>	16-17 <u>Expenditures</u>	17-18 <u>Expenditures</u>		
Benefits									
Operating Costs									
Travel									
Capital Outlay									
Capital Improvement	nts								