

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2008-09</b>		<b>FY 2009-10</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS			See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			See Below	

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

LB 1079 changes the calculation of general fund operating expenditures for purposes of state aid to education (TEEOSA). The bill provides that general fund operating expenditures will not include any legal expenses in excess of fifteen-hundredths of 1% of the formula need for the school year in which the expenses occurred.

The bill will have a fiscal impact for school districts in terms of decreased state aid, two years later, if legal expenses in any school year exceed fifteen-hundredths of 1% of formula need. The State Department of Education indicates that 218 school districts expended \$6.4 million on legal fees in 2006-07. The application of the .0015 factor to total formula needs for these districts, calculates to approximately \$3.5 of legal expenses that could be included in general fund operating expenses. The remaining \$2.9 of legal expenses would be excluded from general fund operating expenses. The calculation could be slightly skewed because the estimate is computed using statewide numbers rather than on a district specific basis.

The decrease in general fund operating expenses reduces the cost grouping cost in the state aid formula. This means all school districts in the cost grouping will receive less state aid. Using 2006-07 data and applying the factor to total needs for the 218 districts, NDE estimates the cost grouping cost would have decreased by \$10.51 in the standard cost grouping. The decrease would have resulted in approximately \$3.1 million less state aid being provided in 2008-09, assuming all districts were equalized. Any decrease in state aid pursuant to the bill will occur beginning in 2009-10.