

ONE HUNDRED FIRST LEGISLATURE - FIRST SPECIAL SESSION - 2009
COMMITTEE STATEMENT
LB5

Hearing Date: Monday November 09, 2009
Committee On: Education
Introducer: Education
One Liner: Change provisions relating to state aid to schools and expenditure limitations

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye: 8 Senators Adams, Ashford, Avery, Cornett, Giese, Haar, Howard, Sullivan

Nay:

Absent:

Present Not Voting:

Proponents:

Senator Greg Adams
Mark Shepard
Steve Baker
Alan Katzberg
Deborah Andrews

Representing:

Introducer
Lincoln Public Schools
Elkhorn Public Schools
Nebraska Rural Community School Association
Self

Opponents:

Representing:

Neutral:

Jess Wolf

Representing:

Nebraska State Education Association

Summary of purpose and/or changes:

Legislative Bill 5 would reduce state aid to school districts pursuant to the Tax Equity and Educational Opportunities Support Act by reducing the base limitation rate for 2010-11 from 1.5 percent to 0.5 percent. The base limitation rate is used in the calculation of budget authority for school districts and in the cost growth factor which is an inflationary component used to bring 2 year old spending data to a more current level. The measure would also reduce aid by reducing allocated income tax funds by \$20 million for 2010-11 and by replacing the teacher education adjustment with a teacher education allowance. Adjustments in the state aid formula add new money for specified costs, where allowances align expenditures that are already included in the formula with the districts that made the payments. The instructional time allowance would be phased out and qualifications for the elementary site allowance would be clarified. Despite the reduction in the base limitation rate to 0.5 percent, the minimum allowed increase in budget authority would be 1 percent.

Section 77-3446 would be amended to reduce the base limitation rate for school districts for 2010-11 from 1.5 percent to 0.5 percent. The base limitation rate is normally 2.5 percent for all political subdivisions, but the rate was decreased to 1.5 percent for school districts for school fiscal years 2009-10 through 2012-13 by LB 545 (2009). The base limitation rate is also designated as the basic allowable growth rate for school districts pursuant to section 79-1025.

Section 79-1001 would be amended to include the teacher education allowance in the Tax Equity and Educational

Opportunities Support Act.

Section 79-1003 would be modified to amend the definition of adjusted general fund operating expenditures. Beginning with 2010-11, the teacher education allowance would be subtracted, like the other allowances, from the general fund operating expenditures to arrive at the adjusted general fund operating expenditures. Beginning with 2011-12, the instructional time allowance would no longer be subtracted.

The definition of equalization aid in section 79-1003 would also be amended to include the teacher education allowance.

Section 79-1005.01 would be amended to subtract \$20 million from allocated income tax funds (also known as rebate) for the 2010-11 school fiscal year. Much of the reduction in allocated income tax funds will be recaptured by school districts as equalization aid.

Section 79-1007.11 would be amended by replacing the teacher education adjustment with the teacher education allowance beginning with school fiscal year 2010-11 in the calculation of formula need. Beginning with 2011-12, the instructional time allowance would not be included in the calculation of formula need.

Section 79-1007.15 would be amended by clarifying the existing requirement that all elementary grades be offered in each elementary attendance site in the district in order to qualify for the elementary site allowance. The elementary grades would have to be offered at each site without the school board or any school administrator indicating a preference for students to attend different elementary attendance sites depending on their grade level. This requirement would apply to the school fiscal year for which aid is being calculated and the 5 preceding school fiscal years. An elementary attendance site that was new or was being reopened would not have to meet the requirement for school fiscal years when the site was not in operation. The department will be required to determine if the qualifications have been met and the State Board of Education would have to establish an appeal procedure.

Section 79-1007.19 would be amended by limiting the teacher education adjustment to school fiscal years 2008-09 and 2009-10.

A new section would provide for the teacher education allowance beginning with 2010-11. The allowance would use the same method to calculate the teacher education points and the teacher education index as the current teacher education adjustment. After subtracting 1 from the index, the result would be multiplied by 8.5 percent of the statewide average general fund operating expenditures per formula student and the district's formula students to arrive at the allowance. If the result is less than zero, the allowance will equal zero. This calculation provides roughly the same result as the current teacher education adjustment using a 10 percent multiplier and basic funding. However, the multiplier was scheduled to increase to 13.75 percent beginning with 2010-11.

Section 79-1007.23 would be amended by limiting the instructional time allowance to school fiscal years 2009-10 and 2010-11. For 2010-11, the allowance would be reduced by 50 percent.

Section 79-1008.01 would be amended to recognize that the teacher education allowance is included in the calculation of total formula need for local systems.

Section 79-1023 would be amended to add an additional 0.5 percent of budget growth in the calculation of budget based budget authority for 2010-11, which will make the minimum allowed budget growth pursuant to this measure 1 percent. School districts are allowed to increase spending based on the greater of the results from two methods for determining the budget authority. The first method allows an increase based on the previous year's general fund budget of expenditures minus special grant funds and the special education budget of expenditures. The percentage increase allowed is currently the applicable allowable growth rate. The range for the applicable allowable growth rate starts at the basic allowable growth rate and ends with an additional 3 percent for low spending districts. The second method allows budget authority based on the formula needs of a local system. For school fiscal years 2009-10 and 2010-11, systems are allowed to spend up to 116.15 percent of their needs, after adjusting for special education. For other school fiscal years, the percentage is 120 percent. The changes in this measure do not affect the needs based budget authority, but,

when combined with the proposed changes to section 77-3446, school district budgets will be allowed a minimum of 1 percent growth for 2010-11, instead of 0.5 percent. Other political subdivisions are also allowed budget authority above the base limitation rate, except at a rate of 1 percent with a requirement for a supermajority vote of the governing board.

The measure contains an emergency clause.

Explanation of amendments:

The Committee Amendments further reduce the base limitation rate to 0.25 percent, retain 1.00 percent as the minimum growth rate for school district budgets, replace the changes to the instructional time allowance with new requirements for the calculation of the allowance beginning with the calculation of 2011-12 aid, and further clarify the qualifications for the elementary site allowance.

In section 77-3446, the base limitation rate for 2010-11 would be further decreased from 0.50 percent in the original proposal to 0.25 percent.

In section 79-10007.23, the original proposal phased out the instructional time allowance. The Committee Amendments remove the phase out and modify the requirement for the Department of Education to define the average hours of instruction. The requirement would be refined by calling for the definition to be based on scheduled time for courses and the number of student participating in the courses for the most recently available complete data year beginning with the calculation of 2011-12 aid. The definition of adjusted general fund operating expenditures in section 79-1003 and the calculation of need pursuant to section 79-1007.11 would also be further modified to reflect the continuation of the instructional time allowance.

In section 79-1007.15, the grades designated for inclusion in all elementary sites in districts qualifying for the elementary site allowance would be renamed "elementary site grades," rather than "elementary grades."

In section 79-1023, the inclusion of an additional 0.50 percent in the budget based calculation of budget authority would be replaced with the inclusion of an additional 0.75 percent to retain the minimum of 1.0 percent allowable growth when combined with the further reduction in the base limitation rate.

Greg Adams, Chairperson