

Revised on 3/29/10 based upon amendments adopted through 3/26/10.

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1070 changes provisions regarding learning communities and educational service units. The following portions of the bill may have a fiscal impact for the identified educational entity.

**Learning Community Levies:** A learning community is currently authorized to levy up to \$.05 for the purchase, construction or remodeling of elementary learning center facilities and up to 50% of the estimated cost for capital projects approved by the learning community coordinating council. The bill reduces the levy to \$.02 and provides that levy proceeds are to be used for elementary learning center facility leases, remodeling of leased elementary learning center facilities and for 50% of the cost for any focus school or program capital project approved by the council.

The bill also establishes a new \$.01 levy to be used for employees of elementary learning centers, contracts with other entities or individuals who are not employees of the learning community for elementary learning center programs and services, and for pilot projects. No more than 10% of the levy may be expended for elementary learning center employees.

The two cent reduction in the levy authority for capital costs related to elementary learning centers and capital projects decreases the potential amount that could be levied for such projects by an estimated \$9.6 million in 2010-11 and \$9.8 million in 2011-12, assuming an annual 2.5% increase in the 2009-10 assessed valuation for the learning community. The new \$.01 levy for elementary learning center employees, contracts with non-employees for programs and services, and pilot programs will make approximately \$4.8 million available in 2010-11 and \$4.9 million in 2011-12 for such expenses. The net fiscal impact of LB 1070 in levy changes for the learning community is a \$.01 decrease in overall levy authority which reduces potential revenue by an estimated \$4.8 million in 2010-11 and \$4.9 million in 2011-12.

**In-Lieu of Tax Payments:** The bill provides for a proportion of in-lieu of tax payments received from public power districts to be allocated to a learning community based upon the common levy of the learning community. The change will enable school districts in a learning community to continue to receive the in-lieu tax proceeds based on the common general fund levy proportion. In the absence of the language, the tax proceeds would be distributed to counties and cities. The bill also provides that property tax refunds shall also be proportionately allocated to school districts in a learning community. Likewise, if a learning community is established in an area where school districts are eligible for in-lieu of tax payments received as state apportionment, the member school districts are to receive a proportional allocation.

**Expenses of Non-voting Members:** The requirement for a learning community to reimburse non-voting members for reasonable expenses will increase expenditures of the learning community to provide reimbursements for three non-voting members. There is no additional revenue source for the reimbursement, so the payments will replace some other expenditure in the learning community budget.

**Reporting Requirements:** The bill relieves the learning community of the responsibility to report collective information to the State Department of Education (NDE) for member school districts regarding school dropouts and expulsions; student membership; year-end annual statistical data; and, annual financial reports. The bill requires NDE to report such information to the learning community for member school districts. The bill adds a requirement for a learning community to annually report to NDE regarding learning community levies. NDE indicates the reporting requirements of the bill can be handled with the existing resources of the department. It is assumed the requirement for the learning community to report levies to NDE will have no fiscal impact for the learning community.

LB 1070 is also harmonized with LB 800 (2010) to require public and nonpublic school districts to report information on student suspensions, expulsions, or excessive absenteeism to the State Department of Education on a monthly basis. The fiscal impact to establish a database for reporting is \$3,556 of general funds which is appropriated in LB 800A.

**Focus Schools and Programs:** Current law provides an allowance in the state aid formula (TEEOSA) for focus schools and programs operated by schools in a learning community. The bill clarifies how the allowance is to be calculated in the initial two years of operation of a focus school. In the initial year, the number of students are estimated for state aid purposes to compute the allowance. A correction is made in the second year to reflect the actual number of students for the first year. Thereafter, the allowance is based on the actual number of students in the prior year. It is assumed the change will have no fiscal impact for schools since it is merely clarifying in nature.

**ESU and Learning Community Aid Funds:** The bill changes the amount of state aid provided to a learning community through the formula used to allocate aid to educational service units (ESU's). Current law provides for learning communities to receive a student allocation in the ESU distribution formula. The number of adjusted students used in the ESU aid distribution formula includes 50% of the membership of school districts that are in a learning community. The other 50% of the membership is used to calculate a student allocation for a learning community. Adjusted valuations used in the formula are also reduced accordingly.

The bill provides for 30%, rather than 50%, of the students and valuation in learning community districts to be attributed to the learning community for aid purposes in 2010-11 and 10% in each year thereafter. The change will shift aid funds from the learning community to ESU's #3 and #19, which include school districts that are members of a learning community, beginning in 2010-11. The total amount of state aid allocated for ESU's pursuant to the bill is unchanged. In the current year, 2009-10, state aid to the learning community through the ESU formula is \$1,628,071. Using this base, it is assumed the bill will decrease funding for the learning community by about \$651,000 in 2010-11 and \$1.3 million each year thereafter and increase aid funding to ESU's #3 and #19 by a like amount.

LB 1070 also requires that the share of aid funds retained by the learning community be used for evaluation and research after January 15, 2011. Based upon the 2009-10 allocation of state aid, it is estimated that approximately \$320,000 of funding will be available each year beginning in 2011-12 for such purpose. The amount available in the initial year of the change, 2010-11, is less than \$320,000 because the bill changes the aid payment schedule for ESU aid provided to a learning community in 2010-11. The aid payments are accelerated so that rather than ten equal monthly payments of aid, the learning community will receive 17% of the total amount of aid in each of the first five months and 3% of the aid in each of the final five months of payments. The change means the learning community will have approximately \$830,000 of aid to use for operating costs of the learning community in 2010-11 and \$147,000 will be allocated to evaluation and research.

The hold-harmless provision in the ESU aid formula is revised to include ESU's which have school districts that are members of a learning community (ESU's #3 & #19). The change will not impact state aid in 2010-11. Thereafter, it is possible the hold-harmless provision could impact state aid to these ESU's at some point in the future.

The bill also requires that the valuation of individual districts shall not be considered in the utilization of state aid funds received by ESU's after July 1, 2010. This requirement has no specific fiscal impact for ESU's or school districts but may alter how aid funds received by ESU's are used in the provision of services to member school districts in the future.

**Harmonizing LB 1071 & LB 1070 Regarding Aid to ESU's (Originally contained in LB 1069):** The bill changes the calculation of state aid to ESU's for fiscal years 2010-11 through 2013-14. Current law provides for an ESU to receive not less than 95% of the total aid the ESU received in the prior fiscal year. The bill changes the calculation of the hold-harmless to provide that an ESU shall have needs minus the distance education and telecommunications allowance equal to not less than 95% of needs less the allowance in the preceding year. The formula is also changed to provide for 2%, rather than 1%, of the aid funds to be allocated to the ESU Coordinating Council.

The changes in the calculation of the hold-harmless in the formula will not increase or decrease the total amount of state aid distributed to ESU's and the learning community. The formula changes will alter the amount of aid allocated to individual ESU's and the learning community.

The distance education and telecommunications allowance is being excluded from the calculation of the hold-harmless due to federal e-rate funds not being consistently received on an annual basis which results in a fluctuation of the amount of the allowance. The change is made so that an ESU or learning community may not benefit from the hold-harmless if federal funds are receipted in a subsequent fiscal year. The change from basing the hold-harmless calculation on the total amount of aid received in the prior year to basing it on the total amount of formula needs in the prior year eliminates hold-harmless funding caused by changes in resources. Any fiscal impact for individual ESU's in terms of future state aid is unknown.

The formula change which increases the amount of funding provided to the ESU Coordinating Council from 1% to 2%, does not increase the total amount of state aid allocated for ESU's. Based upon projected state aid of \$14,485,680 for ESU's in 2010-11, the change will provide an additional \$144,857 of funds for the ESU Coordinating Council. Collectively, the ESU's and the learning community will have a like decrease in state aid.