

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	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 240 provides that no public school district shall spend less than 65% of its total operating expenditures on direct classroom instruction in any fiscal year. The bill does not define total operating expenditures or direct classroom instruction. There is also no penalty for non-compliance with the requirements of the bill.

Using the most recent Annual Financial Report (AFR) of school districts for 2007-08, the following table shows variations in how the requirements of the bill could be calculated. There are several categories of expenditures that could be used to represent total operating expenditures. Only total disbursements include expenditures for federally funded programs. The table shows cumulative expenditures for all of the school districts in the state. Based upon cumulative school expenditures, the requirement for schools to spend 65% or more on direct classroom instruction is being met in 2007-08.

	2007-08	
Total Instruction*	1,666,500,178	65%
plus: Federal Programs	<u>203,185,802</u>	
Total Instruction with federal programs	1,869,685,980	
Categories of Expenditures:		
Total Disbursements (includes federal progs.)	2,760,440,532	67.73%
Total General Fund Expenditures (no federal)	2,557,254,729	65.17%
Total Current Expense (no federal)	2,537,162,949	65.68%
Total Adjusted Current Expense (no federal)	2,445,797,242	68.14%

*Includes regular education, special education, English language learner, poverty progs. & early childhood
 Does not include federal fund programs

However, if expenditures for districts are examined on an individual rather than collective basis, then some districts will not meet the 65% requirement. The following table shows the number of districts based upon enrollment size that meet the 65% threshold in 2007-08. The table shows that 150 of 254 districts, or 59% of the districts in the state, are spending less than 65% on instruction, when instruction is compared to general fund operating expenditures. The districts which collectively spend less than 65% on instruction are those with 1,000 or less students.

Federal categorical expenditures are reported as a whole on the AFR and are not separated into instructional and non-instructional costs. If all federal categorical expenditures are assumed to be instructional costs and are compared to total disbursements, then 101 of 254 districts, or 40% of the districts in the state, are spending less than 65% on instruction. Using this comparison, districts with less than 250 students collectively spend less than 65% on instruction.

	Total # of Districts	Instruction as % of General Fund Operating Expend.	# of Districts < 65%	Instruction + Federal Categorical as % of Disbursements	# of Districts < 65%
Enrollment Size of Districts					
<250	86	61.80%	62	63.69%	46
250-500	81	63.77%	49	65.87%	34
500-1,000	49	64.40%	27	66.29%	18
1,000-2,000	16	66.46%	6	68.45%	2
2,000-5,000	15	67.69%	2	69.88%	0
>5,000	<u>7</u>	65.18%	<u>4</u>	68.37%	<u>1</u>
Total	254	65.17%	150	67.73%	101

The Department of Correctional Services (DCS) also operates a special purpose school. DCS indicates it currently complies with the requirement to spend 65% or more on direct classroom instruction in its school.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheideler	DATE	3/13/09	PHONE	471-2526
COMMENTS					
<p>DEPT. OF EDUCATION - Generally concur. Based on the Department of Education's assumed definitions and the FY2007-08 Annual Financial Reports, 101 of the state's 254 school districts would fail to meet or exceed the 65% minimum threshold for instructional spending. Most of the state's largest schools appear to be well above the bill's 65% threshold. School districts below the 65% threshold that would be required by LB 240 appear to be primarily small, rural school districts. This probably reflects the relatively higher impact of administration and busing transportation expenditures on a smaller rural school budget. However, a significant number of small rural schools did exceed the 65% threshold, perhaps reflecting the impact of higher paid, more experienced teachers.</p> <p>DEPT. OF CORRECTIONS (Reviewed by Matt Eash, DAS) – No fiscal impact.</p>					