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PREPARED BY: Sandy Sostad
DATE PREPARED: February 09, 2011
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LB 446

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	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 446 changes provisions related to educational service units (ESU's). The bill revises current law to allow an ESU to continue to consist of a single school district, if the single school district is a Class IV (Lincoln) or Class V (Omaha) district. The bill requires that an ESU composed of one district must participate in one or more of the statewide projects managed by the ESU Coordinating Council. The formula used to allocate state aid to ESU's is also changed in the bill.

Intent language is added to require multidistrict ESU's to use at least 5% of the resources received from state aid and property taxes (adjusted value x the local effort rate) for cooperative projects between member school districts and at least 5% for statewide projects managed by the ESU Coordinating Council.

State Aid: The bill changes the computation of state aid for ESU's consisting of a single school district by altering the number of adjusted students used in the formula calculation. It is assumed the formula change will occur beginning in FY 2012-13 because the bill does not have an emergency clause and state aid to ESU's is certified on or before July 1st for the ensuing school year.

Under current law, in FY2011-12 and thereafter, 100% of the prior year fall membership is used in the calculation for ESU 18 – Lincoln and 90% for ESU 19 – Omaha. (Note that 70% is used for ESU 19 in FY 2010-11 pursuant to current law). The bill decreases the percentage used by 5% for the two ESU's. So, 95% of the prior year membership is to be used in the calculation for ESU 18 – Lincoln and 85% of the prior year membership is used for ESU 19 – Omaha.

The formula change decreases state aid by an unknown amount for ESU's 18 & 19, beginning in FY2012-13, due to the change in adjusted students used in the calculation. However, decreased aid for the two ESU's will not reduce the overall amount of aid distributed to ESU's because the formula allocates the amount of state aid appropriated by the Legislature. Reduced aid pursuant to the change in adjusted students for ESU's 18 & 19 is offset by an increase in the per student allocation in the formula of a like amount, which will increase state aid for all of the ESU's.

Property Taxes: The law is also amended to allow ESU's with one district to levy a property tax in FY2013-14 and thereafter. Current law repealed the levy authority beginning in FY2013-14. Other ESU's must have four or more districts to levy a property tax in FY2013-14.

Information from the Certificate of Property Taxes Levied shows that ESU's 18 and 19 were at the maximum 1.5 cent levy for 2010. The levy generated \$2,443,966 of property taxes for ESU 18 and \$2,884,642 for ESU 19. The bill restores the authority for the two ESU's to continue to levy property taxes in FY2013-14.

Required Use of ESU Resources: It is unknown how the requirement for ESU's 18 & 19 to participate in one or more statewide projects and for other ESU's to use a percentage of resources for cooperative projects and statewide projects will impact the total amount spent by ESU's in the future. It is assumed that overall expenditures will not increase for ESU's but the use of resources may change pursuant to the requirements.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Matthew Eash	DATE	2/11/11	PHONE	471-2526
<p>COMMENTS</p> <p>The ESU aid formula's 95% hold-harmless provision limits this reduction of any ESU's total need to only 5% per year. Depending on annual variances in the aid distribution and accounting for the hold-harmless provision, annual General Fund savings are estimated to range from \$115,000 to \$140,000 in FY 2011-12 and from \$224,000 to \$273,000 in FY 2012-13 (savings from current base year FY 2010-11). This assumes that the Legislature would reduce the ESU aid appropriation by the amount of savings. Otherwise, the savings would be redistributed to all other ESUs.</p> <p>There would be no General Fund impact to Nebraska Department of Education operations.</p>					

LB 446 FISCAL NOTE

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 LEGISLATIVE SERVICES FISCAL

State Agency OR Political Subdivision Name: NDE/School Finance & Organization Services

Prepared by: Inbody, Bergquist Date Prepared: 1-26-2011 Phone: 1-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

This bill specifically provides for an educational service unit with one member school district (if they are a Class IV or V school district). An educational service unit with one member school district shall participate in one or more statewide projects managed by the Educational Service Unit Coordinating Council. Beginning with the 2013/14 fiscal year, only educational service units with four or more member schools or an educational service unit with one member school is authorized to levy a tax. The calculation of core services and technology funding is changed to reflect an educational service unit with one member school and with one member school that is part of a learning community. The adjusted students used for an educational service unit with one member school district not in a learning community will be 95 percent of the fall membership of its member school district. The adjusted students used for an educational service unit with one member school district that is also a member of a learning community will be 85 percent of the fall membership of its member school district.

MAJOR OBJECTS OF EXPENDITURES

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-12	2012-13
	11-12	12-13	EXPENDITURES	EXPENDITURES
Benefit	_____	_____	_____	_____
Operating	_____	_____	_____	_____
Travel	_____	_____	_____	_____
Capital outlay	_____	_____	_____	_____
Aid	_____	_____	_____	_____
Capital improvements	_____	_____	_____	_____
TOTAL	_____	_____	<u>0</u>	<u>0</u>

New legislative intent language is included in this bill. The new legislative intent is that core services and technology funding will equal the calculation as provided in current statute (§79-1241.03) and an amount greater than or equal to the adjusted valuation for each educational service unit multiplied by the local effort rate. The new legislative intent language requires a multidistrict educational service unit to spend at least 5 percent of its core services and technology funding for cooperative projects between the educational service unit and its member school districts and to spend at least 5 percent of its core services and technology funding for stateside projects managed by the Educational Service Unit Coordinating Council.

Fiscal Impact:

To NDE: No fiscal impact to the Department of Education.

To Political Subdivision: The fiscal impact to the educational service units will be a redistribution of the core services and technology funds. The dollar amount of this redistribution is unknown at this time. However, based on the 2010/11 ESU Core Services & Technology Infrastructure Certification, ESU 18 would have received \$1,089,773.09 rather than \$1,246,307.05; and ESU 19 would have received \$2,202,980.80 rather than \$1,577,362.14. These dollar amounts assumed no changes to any of the other components used to certify Core Services & Technology Infrastructure.

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FISCAL NOTE LEGISLATIVE FISCAL LB446 Educational Service Unit Coord. Council

Table with 2 columns: Field (Prepared By, Date Prepared, Prepared Phone) and Value (Blomstedt, Matthew, 2/9/2011, 402-499-6756)

Estimate Provided By State Agency or Political Subdivision

Table with 5 columns: Category, FY 2011-2012 Expenditures, FY 2011-2012 Revenue, FY 2012-2013 Expenditures, FY 2012-2013 Revenue. Rows include General Funds, Cash Funds, Federal Funds, Other Funds, Total Funds.

Explanation of Estimate:

LB 446 would amend current statute to allow Class IV and Class V school districts to maintain a single district Educational Service Unit with a requirement to participate in one or more of the statewide projects managed by the ESU Coordinating Council.

The bill would also require an ESU to otherwise consist of 4 or more member school districts or a single district ESU with a qualifying Class IV or Class V school district.

Single district ESUs under the bill would only count 95% of the students for the calculation of Core Services aid or 85% of the students for single district ESUs that also are part of a Learning Community.

Specific dollar impacts are unknown based on the nature of the appropriation driven formula.

Additional intent language describes core services funding to include both amounts from the core services funding formula and amounts from the ESU property tax. It also describes intent that at least 5% of such funding be used for cooperative projects between member school districts and 5% for projects managed by the ESU Coordinating Council.

Major Objects of Expenditure

Table with 5 columns: Position Title, FY 2011-2012 Number of Positions, FY 2012-2013 Number of Positions, FY 2011-2012 Expenditures, FY 2012-2013 Expenditures. Rows include Benefits, Operating, Travel, Capital outlay, Aid, Capital improvements, Total.