

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$59,955		\$56,360	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$59,955		\$56,360	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 972 is the Independent Public Schools Act. An independent public school is deemed to be a political subdivision which operates under a compact granted by the State Board of Education (NDE). Persons or entities eligible to apply to be an independent public school include, but are not limited to, teachers, parents, school administrators, community residents, public organizations, or nonprofit organizations or a combination thereof. NDE is to establish rules and regulations pertaining to the requirements to receive a compact. An initial compact is for five years and may be renewed for successive five-year periods.

The bill provides for an Independent Public Schools pilot program to include a maximum of five independent public schools to be operated in a city of the metropolitan class (Omaha) each year. The State Board of Education is to review the pilot program after five years and decide whether to renew the compacts of schools operating pursuant to the pilot program. The Class V School Employees Retirement Act shall apply to employees of an independent public school. The Class V school district (Omaha Public Schools) in which an independent public school is located shall provide transportation to the independent school for students living in the school district on the same terms as is provided to students attending school in the district. Students not living in the district are eligible for transportation as provided for students in the option enrollment program.

The school district of residence of a student attending an independent public school is to annually pay the independent school the school district's actual per pupil cost for the preceding year for the number of students attending the independent school. No tuition or fees may be charged to attend an independent public school.

NDE Expenditures: The department projects the need for an additional 1.25 FTE to develop rules and regulations for independent public schools, assist in the approval of independent schools, monitor accreditation and approval of the schools and conduct on-site visits to the schools. This fiscal note assumes the addition of a .5 Education Specialist to work with these schools at a cost of \$59,955 of general funds in FY15 and \$56,360 in FY16.

School District Expenditures: There may be increased transportation expenditures for school districts to transport students to independent public schools or pay parents for the cost of transportation. The change in transportation costs will depend upon what is currently spent to transport the children versus the cost to transport them to the independent school.

School districts which have students residing in the district who opt to attend an independent public school will be required to pay the actual per pupil cost of the district for the preceding year to the independent school. If the decreased membership in a particular school is very few, then the sending district may not be able to decrease expenditures by the amount of the per pupil cost that is reimbursed to an independent school. In other words, a small change in the number of students for a school does not necessarily decrease the cost of teachers, etc.

TEEOSA Aid: The bill may change the amount of state aid provided to school districts beginning in FY17. Currently, basic funding in the state aid formula for a district with 900 or more students is equal to the number of formula students times the average of the adjusted general fund operating expenditures (GFOE) per formula student for districts in each comparison group. A comparison group is the ten smaller and ten larger districts nearest in student size to a district. The two largest and smallest districts as measured by GFOE are not included in the comparison group.

If students leave a school district to attend an independent public school and total expenditures are not reduced by the amount of the average per pupil cost, then the average spending per student increases for the district losing the students. The increase may impact the needs for the comparison group which can result in changes in state aid for districts in the same comparison group as the district that loses students. Any change in state aid will occur two years after the change in spending occurs.

Retirement: The bill will have an unknown fiscal impact for the Class V school district retirement system to enroll independent public teachers in the system. A fiscal impact cannot be determined because the number of employees that may receive benefits is unknown.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 972	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Matthew Eash		DATE: 2/24/2014	PHONE: 402-471-4175
COMMENTS: Concur that the Department may need up 1.0 FTE to administer oversight if the Independent School pilot program were fully implemented with five new schools. Secretarial services for this position would be nominal and could be absorbed with existing Department staff. LB 972 requires that independent schools could only be established in a city of the metropolitan class, and it seems to intend they be established only within the boundaries of a Class V school district, which currently only includes Omaha Public School District (OPS). It is presumed then that nearly all students enrolling in an independent school would transfer from OPS. OPS would be required to pay its annual per-student cost to the Independent Schools for each such student. The loss in students from OPS classrooms to the maximum five pilot schools would not likely reduce OPS's classroom and building expenditures for several years if ever, so it is reasonable to assume that OPS's per-pupil payments to the Independent Schools would represent a net increase to OPS's annual spending. In general, an increase in OPS spending would likely result in some increase to TEEOSA State Aid.			

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2014

LB⁽¹⁾ 972

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Education (NDE)

Prepared by: ⁽³⁾ Freida Lange

Date Prepared: ⁽⁴⁾ 1/29/14

Phone: ⁽⁵⁾ 402-471-2444

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	122,953.00	0.00	123,033.00	0.00
CASH FUNDS	0.00	0.00	0.00	0.00
FEDERAL FUNDS	0.00	0.00	0.00	0.00
OTHER FUNDS	0.00	0.00	0.00	0.00
TOTAL FUNDS	122,953.00	0.00	123,033.00	0.00

Explanation of Estimate:

NDE Staff would be needed for initial rule development specific to independent public schools, followed by the review and monitoring of accreditation or approval requirements for any entity submitting an application to open an independent public school. If the applicant is approved by the State Board of Education to function as an independent public school, annual review of reports and accreditation/approval requirements would be conducted, as well as onsite visits.

The cost for local subdivisions/LEAs cannot be determined, but could impact an LEA dramatically. The district of residence would have to pay the independent public school an amount equal to the "per pupil cost" for the preceding year for each student moving into the independent public school. In addition, the resident district would be required to provide transportation or cover transportation costs for students attending the independent public school(s), rather than their district of residence.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Education Specialist IV	1	1	59191.00	60523.00
Office Associate III	.25	.25	7920.00	8098.00
Benefits.....			395340.00	44068.00
Operating.....			5368.00	5529.00
Travel.....			4654.00	4815.00
Capital outlay.....			6280.00	0.00
Aid.....			0.00	0.00
Capital improvements.....			0.00	0.00
TOTAL.....			122,953.00	123,033.00