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FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised on 5/8/17 based on amendments adopted through 5/5/17.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(46,402)		(See Below)	
CASH FUNDS	See Below	See Below	See Below	See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 512 relates to education. The following provisions of the bill may have a fiscal impact.

Repeal of the Best Practices Allowance and Best Practices Aid: The bill changes the Tax Equity and Educational Opportunities Support Act (TEEOSA) by eliminating the best practices allowance in the state aid formula. Current law provides that competitive innovative grant projects funded with lottery funds which are recommended as best practices by the State Board of Education are to be included in a best practices allowance in the state aid formula beginning in FY2021-22.

Allowances in the TEEOSA formula attribute expenditures for a specific purpose to school districts incurring the expenditures. This reduces the amount of basic funding available in the formula which impacts districts in the same comparison group. Generally, the inclusion of an allowance does not significantly affect the amount of overall aid distributed. So, the elimination of the allowance will have minimal fiscal impact.

The bill also eliminates best practices aid in the state aid formula. The provision allowing a few districts to receive best practices aid will increase TEEOSA aid by up to $500,000 each fiscal year depending upon the projects approved for the best practices allowance. The elimination of best practices aid will decrease TEEOSA aid by up to $500,000 per beginning in FY2021-22.

Repeal of the Council on School Attendance: The bill repeals a ten member Council on School Attendance established by LB 464 in 2013. The elimination of the Council reduces annual expenditures of the State Department of Education (NDE) by $6,402 of general funds beginning in FY2017-18. The funds are primarily used for the reimbursement of expenses for council members.

Use of Lottery Funds: The bill allows NDE to allocate a portion of the 17% share of lottery funds to pay for the cost of a standard college admissions test to be administered to students in the eleventh grade attending public schools in the state. Current law allows the funds to be used for this purpose only in FY2017-18. If NDE uses lottery funds for the college admissions test after FY2017-18, then the amount available for competitive innovation grants will be reduced by the amount allocated for the admissions test. Beginning in FY2018-19, if lottery funds are used in lieu of general funds to pay for the admissions test there may be a general fund savings of up to $1,350,000.

LB 512, as amended, includes the provisions of LB 175, 398, 457, 235, and 123. These provisions may have a fiscal impact as described below.

LB 175 - is the Student Online Personal Protection Act which identifies practices that are prohibited or may not be engaged in by operators of Internet web sites, online applications or services, or mobile applications which are used primarily for elementary, middle school or high school purposes. The bill also provides requirements that are to be met by operators in order to protect student information.

The bill does not identify any entity to enforce the requirements of the bill. School districts and operators of web sites and computer applications will need to structure agreements in compliance with the requirements of the bill. It is assumed contracts that adhere to the requirements of the bill can be handled with existing resources of school districts entering into such agreements.

LB 398 – LB 512 amends LB 398 as introduced. The amendment requires that every swimming pool owned, rented, leased or used by a school district for practice, competition, or any other school function shall have at least one person present during such use who is certified by a nationally recognized aquatic training program in first aid, cardiopulmonary resuscitation and drowning risk prevention.

It is possible the bill will impact school districts which have swimming programs. It is unknown if school districts will pay for the mandated certification and training or if it will be a responsibility of the entity owning the swimming pool or the instructors or lifeguards. If school districts pay for the training, then there will be increased costs for impacted school districts.

LB 457 – changes the calculation of state aid to schools per TEEOSA beginning in FY2018-19. The bill changes the definition of general fund operating expenditures (GFOE) in the school aid formula and also changes levy and budget limitations with regard to voluntary termination agreements.

General Fund Operating Expenditures: The bill redefines general fund operating expenditures for purposes of calculating school aid. Current law provides that GFOE does not include expenditures for voluntary termination agreements paid by a school district to certificated employees to the extent that a district can demonstrate that an agreement will result in a net savings in salaries and benefits over a five year period, occurring on or after the first day of the 2013-14 school year.

The bill continues the exclusion for voluntary termination agreements from the calculation of GFOE beginning with aid calculated in FY2018-19. The exclusion of these expenditures from general fund operating expenditures continues the current policy with regard to these expenditures, however, the amount excluded will change based upon the limitations in the bill.

Budget/Levy Limitations: The bill changes the amount paid in voluntary termination agreements which may be excluded from the levy limit and the budget limitation. Currently, the total amount paid to teachers and certificated school employees per voluntary termination agreements are excluded from budget and levy limitations.

The bill provides that only up to $35,000 paid to an eligible certificated teacher per a voluntary termination agreement may be excluded from the budget and levy limitation beginning in FY2018-19. The funds must be paid prior to the teacher becoming eligible for Medicare or within five years of the voluntary termination agreement, whichever comes first. Schools must still demonstrate the payments will result in a net savings over a five-year period.

The bill also excludes from levy and budget lids, the amount of certain voluntary termination agreements which are in effect when the bill becomes law in May of 2017. The amount that is excluded is phased down over a three year period. Seventy-five percent of the voluntary termination incentives to be paid pursuant to collective bargaining agreements occurring from September 1, 2017 to August 31, 2018 are excluded; 50% of the incentives occurring from September 1, 2018 to August 31, 2019; and 25% of the incentives occurring from September 1, 2019 and August 31, 2020 are excluded.

A cap on the amount paid in a voluntary termination agreement that can be excluded from levy and budget lids may limit the ability of schools at the $1.05 levy lid or those without sufficient spending authority to provide voluntary termination agreements. The fiscal impact of the bill is unknown. It is possible that property taxes levied may be lower, due to a limitation on the amount that may be excluded from the levy limitation. However, school district spending over a period of time may be higher if the use of voluntary termination agreements for some school district employees is precluded by the bill.

LB 235 – changes provisions in the Summer Food Service Program. Currently, the state aid program provides competitive grants of up to $15,000 to sponsors of summer food programs. Grants are used for nonrecurring expenses incurred in initiating or expanding services, including but not limited to, the acquisition of equipment, salaries of staff, training, outreach efforts, minor alternations to accommodate new equipment, point of service computer systems for food service and the purchase of vehicles to transport food to sites.

The bill provides that the full cost of qualifying expenses incurred by a sponsor in initiating or expanding the services in a summer food service program will qualify as an expense, and need not be prorated, if the funds are expended solely for child nutrition programs.

The Summer Food Service Program is a state aid program which is appropriated $130,000 of general funds to provide grants each year and $10,000 for administration. NDE indicates grant awards have totaled $14,125 in FY13, $22,454 in FY14, $15,993 in FY15 and $43,907 in FY16. The bill, as amended, reduces the capped amount for the program from $140,000 to $100,000 per year. This results in a $40,000 reduction in general funds for the program beginning in FY2017-18.

It is assumed the changes in the bill will increase the number of sponsors applying for grants. Since summer food service programs are only operated for a short period of time during the year, the proration of a qualifying expense, may have precluded sponsors from initiating or expanding summer nutrition services because the grant award would cover very little of the overall cost to expand or initiate summer food services. Since the appropriation base has not been expended in the past, it is assumed the elimination of requirements to prorate expenses as well as a reduction in the funding level for the program will allow the appropriation to be fully expended in future years.

LB 123 - creates the Guaranty Recovery Cash Fund to be administered by the Coordinating Commission for Postsecondary Education (CCPE). The bill directs CCPE to annually assess applicable for-profit postsecondary institutions one-tenth of one percent of the prior school year's gross tuition revenue until the Guaranty Recovery Cash Fund reaches a minimum level of $250,000. The bill further provides that the fund is to be maintained at a minimum level of $250,000 and a maximum level of $500,000. Under specified conditions, the bill authorizes amounts from the fund to be disbursed to students for certain claims relating to applicable for-profit postsecondary institutions which terminate operations.

CCPE indicates that four postsecondary institutions currently would be subject to provisions of the bill. The agency indicates that workload impacts associated with collection of amounts assessed to applicable for-profit postsecondary institutions under provisions of the bill would be minimal. Potential workload associated with processing student claims under provisions of the bill is indeterminate insofar as related workload would be contingent upon whether an applicable for-profit postsecondary institution were to terminate operations and the extent to which such a termination would precipitate related student claims.

Section 23 – New language was added by the Education Committee to ensure the state remains compliant with federal rules and regulations requiring veterans, veterans' spouses and veterans' dependents to be considered to be state residents tuition purposes, when attending postsecondary institutions in the state while using federal benefits to pay tuition. These provisions avoid the loss of federal funds provided to these individuals for their education.