

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(See Below)		(See Below)	
CASH FUNDS				
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 540 changes the formula which provides state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA) in FY2017-18 and FY2018-19.

CHANGES TO NEEDS IN THE TEEOSA FORMULA:

Temporary Aid Adjustment Factor: LB 540 provides for a temporary aid adjustment factor to be used to adjust formula need for school districts in FY18 and FY19. The bill does not specify the percentage adjustment at this point in time. The bill also establishes a cap on the amount of formula need that may be reduced per the temporary aid adjustment factor to be no more than the amount of preliminary allocated income taxes plus net option funding calculated for a district. A decrease in formula needs for school districts reduces the amount of state equalization aid provided.

CHANGES TO RESOURCES IN THE TEEOSA FORMULA:

Net Option Funding: The bill requires the calculation of a preliminary net option funding amount for school districts participating in the net option program. The amount of net option funding is calculated per current law and an unspecified temporary aid adjustment percentage is applied to reduce the amount of net option aid calculated for schools. LB 540 provides that net option funding cannot be less than zero after the factor is applied.

Allocated Income Taxes: The bill requires the calculation of a preliminary amount of allocated income tax funds for each school district. The amount of allocated income taxes is calculated per current law. This calculation is then adjusted by an unspecified temporary aid adjustment factor minus the preliminary reduction in net option funding as adjusted by the temporary aid factor. The bill provides that the final amount of allocated income tax funds cannot be less than zero.

The reduction in allocated income taxes reduces aid for all school districts. The reduction in net option funding reduces aid for school districts which participate in the net option program. However, since allocated income taxes and net option funding are resources for purposes of aid, then school districts which are eligible for equalization aid will have increased equalization aid in an amount equal to the reduction in allocated income taxes and net option funding. Non-equalized schools will incur a reduction in state aid.

FISCAL IMPACT: The fiscal impact of the bill cannot be determined because the percentage for the temporary aid adjustment factor is not specified in the bill. The Appropriations Committee preliminary recommendation for TEEOSA aid reduces the amount of state aid that would have been required per current law by about \$45 million in FY18 and \$80 million in FY19. If the bill were written to reduce state aid by these amounts, it is estimated that the temporary aid adjustment factor would be 1.45% for FY18 and 1.95% for FY19.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 540	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: James Van Bruggen		DATE: 3/14/17	PHONE: (402) 471-4179
COMMENTS: The temporary aid adjustment factor amount will need to be known to determine the fiscal impact.			

Please complete ALL (5) blanks in the first three lines.

2017

LB⁽¹⁾ 540

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Dept. of Education

Prepared by: (3) Jen Utemark Date Prepared: (4) 1/19/17 Phone: (5) 402-471-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====
Explanation of Estimate:				

This bill modifies the calculation of formula need in TEEOSA aid by providing for a temporary aid adjustment factor. The temporary aid adjustment factor reduces TEEOSA aid by a percentage of needs to the extent of the total preliminary allocated income tax and preliminary net option funding calculated for school fiscal years 2017/18 and 2018/19. Allocated income tax and net options funding calculations are modified and reduced by amounts related to the temporary aid adjustment factor. Under current statute, the formula needs of a local system are based on the school district's basic funding, allowances, adjustments and corrections without a reduction by an adjustment factor. The allocated income tax and net option funding are also fully calculated and funded. LB540 declares an emergency exists and takes effect if passed and approved according to law.

This bill would decrease the amount of needs recognized for all equalized districts. Funding would also be reduced for districts receiving allocated income tax and net option funding resulting with an overall decrease in TEEOSA aid. The temporary aid adjustment factor impacting the calculations of formula need, allocated income tax, and net option funding was designated an amount equal to "XX", fiscal impact cannot be forecasted at this time for purposes of state aid pursuant to TEEOSA.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2017-18	2018-19
	17-18	18-19	EXPENDITURES	EXPENDITURES
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____