

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$14,250,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$14,250,000	

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

LB 877 changes the calculation of state aid in the Tax Equity and Educational Opportunities Support Act (TEEOSA) beginning in FY2019-10. The following changes to the act are proposed in the bill.

CHANGES TO NEEDS IN THE TEEOSA FORMULA:

Early Childhood Fall Membership: Current law provides that early childhood education fall membership is calculated for formula purposes as 60% of the qualified early childhood membership. The bill eliminates the proration factor which will increase basic funding for districts with 900 or more formula students that have early childhood education programs.

Early Childhood Education Allowance: LB 877 adds an early childhood education allowance to the formula. The allowance for each school district equals the early childhood education fall membership multiplied by the statewide average general fund operating expenditures per formula student. Allowances attribute expenditures for a specific purpose (early childhood education) to school districts incurring the expenditures which reduces the amount of basic funding available in the formula. The fiscal impact for schools which receive equalization aid depends upon the change in basic funding in the comparison group.

CHANGES TO RESOURCES IN THE TEEOSA FORMULA:

Early Childhood Education Aid: The bill provides for 50% of the sum of the early childhood education allowance plus early childhood transportation costs shall be paid to each school district as early childhood aid. The calculation of early childhood transportation costs is specified in the bill to include miles actually travelled to transport early childhood education students multiplied by 400% of a mileage rate established by the Department of Administrative Services plus in lieu of transportation expenditures for students. The State Department of Education (NDE) indicates that in lieu of transportation payments are not authorized for early childhood education students.

The bill provides that early childhood education aid is considered to be a resource for state aid purposes. This means that early childhood aid allocated for a school that receives equalization aid is almost entirely offset by considering the aid as a resource. However, non-equalized school districts with early childhood education programs will receive increased formula aid for early childhood education programs.

FISCAL IMPACT: NDE modeled the bill for purposes of the fiscal note based upon state aid certified for FY2018-19. The model did not include transportation costs because data was not available to isolate expenses to transport early childhood education students. It is assumed the inclusion of transportation expenses will increase the amount of aid calculated by NDE. The department estimates the bill will increase state aid by a minimum of approximately \$14,250,000 beginning in FY2019-20.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB: 877	AM:	AGENCY/POLT. SUB: Department of Education		
REVIEWED BY: Gary Bush	DATE: 01/24/18	PHONE: (402) 471-4161		
COMMENTS: No basis to disagree estimate provided. The estimate appears to be reasonable.				

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

2018

LB⁽¹⁾ 877

FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Education

Prepared by: (3) Jen Utemark Date Prepared: (4) 1/16/18 Phone: (5) 402-471-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	\$14,249,417	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	\$14,249,417	=====

Explanation of Estimate:

LB 877 changes the Tax Equity and Educational Opportunities Support Act (TEEOSA) beginning in FY2019-20.

Early Childhood Membership: The bill changes the calculation of qualified early childhood education membership for purposes of the formula. Currently, early childhood membership is calculated based upon 60% of the students who are enrolled in an approved early childhood education grant program and who are eligible to attend kindergarten in the following school year. The bill changes the percentage to 100% of the students who are enrolled in an approved early childhood education grant program and who are eligible to attend kindergarten in one of the two immediately following school years.

Early Childhood Education Allowance: The bill includes an early childhood education allowance in the school aid formula. The allowance equals the qualified early childhood fall membership times the statewide average general fund operating expenditures per formula student. The amount of the early childhood education allowance is included in formula needs. An allowance in the formula attributes expenditures for a specific purpose, in this case, early childhood education, to school districts incurring the expenditure. This reduces the amount of basic funding available in the formula which impacts school districts in the same comparison group.

Early Childhood Transportation Costs: LB 877 also includes transportation costs for early childhood education. The costs are equal to the miles included in the current transportation allowance that were traveled to transport early childhood education students taken times 400% of the mileage rate established by the Department of Administrative Services plus in lieu of transportation expenditures paid exclusively to transport early childhood education students pursuant to section 79-611.

Early Childhood Education Aid: Fifty percent of the sum of the early childhood education allowance plus early childhood education transportation costs as calculated pursuant to the bill are to be paid to school districts

as early childhood education aid. The amount of early childhood education aid is included as a local resource in the formula.

If LB 877 is passed as introduced, this bill may increase total aid for non-equalized districts having qualified early childhood education programs while decreasing equalization aid and aid for non-equalized districts receiving only net option funding, establishing a net increase to TEEOSA aid.

Early childhood transportation costs equal to the miles included in the current transportation allowance that were traveled to transport early childhood education students were unable to be determined. Regular route miles are currently reported to the Department of Education as an aggregated total for early childhood students and K-12 combined.

Early childhood transportation costs equal to in lieu of transportation expenditures paid exclusively to transport early childhood education students pursuant to section 79-611 included in the calculation for the transportation allowance were not included for purposes of calculating fiscal impact. Section 79-611, assists with transportation of students who are of compulsory attendance age who are required to travel more than miles to attend school. Early childhood education is voluntary nor is an elementary school required to have an early childhood education program, therefore no travel is required.

The State Department of Education estimates the changes to the formula pursuant to the bill will result in an increase of \$14,249,417 of general funds needed for TEEOSA aid beginning in FY2019-20.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				\$14,249,417
Capital improvements.....				
TOTAL.....				\$14,249,417