

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	303,322,619		323,462,465	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	303,322,619		323,462,465	

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

LB1073 would create a new 16 member School Finance Review Commission whose members will serve through December 31, 2028:

- Commissioner of the Nebraska Department of Education or their designee
- A representative of the Governor or someone appointed by the Governor
- A representative from postsecondary education with school finance expertise
- A representative from the Educational Service Unit Coordinating Council
- A school board member and a school administrator, each representing a district with no more than 1,200 students
- A school board member and a school administrator, each representing a district with more than 1,200 but fewer than 10,000 students
- A school board member and a school administrator, each representing a district with more than 10,000 students
- Six members from the state at large
 - 2 members from each congressional district who reside in districts of varied sizes and have varying percentages of limited proficiency and poverty students
 - At least 1 member appointed shall be a certified teacher and have experience teaching in a public school
 - At least 1 member shall have experience in business
 - At least 1 member shall have experience in agriculture-related business

The newly formed commission will prepare and submit a report to the Legislature on or before December 31, 2020 on the commission's work.

The commission will also prepare a preliminary report and present it to the Legislature in November of 2021.

A final report with recommendations on maintaining adequate and equitable funding for public schools in light of information gathered through the review shall be presented to the Governor, the State Board of Education, and electronically to the Legislature by December 1, 2021.

On or after December 1, 2021:

- Review the mission of providing Nebraskans the opportunity to acquire the necessary skills and knowledge to be productive individuals
- Review, make recommendations on, and report on the progress of any goals established by the Legislature and the State Department of Education related to such mission. The committee may solicit comments, concerns, and case studies from all sizes of schools in Nebraska and develop best practices for implementing and achieving such goals
- Review the implementation of the Tax Equity and Educational Opportunities Support Act (TEEOSA – State Aid) and the implementation of any recommendations contained in reports issued under subsection (1) of this section

On or before July 1 of each even-numbered year beginning in 2022 and ending in 2028, the School Financing Review Commission shall report to the Governor, to the State Board of Education, and electronically to the Legislature on the adequacy of school funding sources.

For school fiscal year 2020-21 and each school fiscal year thereafter, the department shall determine the basic funding aid to be paid to each school district:

- Basic funding aid for each school district for each such school fiscal year shall equal seven and one-half percent of the basic funding calculated pursuant to section 79-1007.16 for such school district
- For school fiscal years 2020-21 and 2021-22, a basic funding aid adjustment equal to the basic funding aid shall be included in the calculation of formula need pursuant to section 79-1007.11 for each school district
- For each school fiscal year for which basic funding aid is calculated pursuant to this section, a basic funding aid allowance equal to the basic funding aid shall be included in the calculation of formula need pursuant to §79-1007.11
- For each school fiscal year for which basic funding aid is calculated pursuant to this section, basic funding aid shall be included as a formula resource pursuant to §79-1017.01 for each school district
- It is the intent of the Legislature that if any actions are taken to decrease the amount of state aid to be certified pursuant to §79-1022, basic funding aid pursuant to this section shall be reduced prior to any action that would reduce the amount of equalization aid to be paid

For school year 2020-21 and each year after, the Local Effort Rate (LER) will be reduced from \$1.00 to \$0.99 which will reduce local resources from the school districts in the TEEOSA calculation.

For school year 2020-21 and each year after, this bill will change the adjusted valuations used for agriculture/horticulture from 72% to 52% of actual valuation.

This bill would change the date for the 2020/21 school year listed in §79-1022.01, §79-1023.01, §79-1027, and §79-1031.01 from June 10, 2019 to May 1, 2020.

Since an emergency exists, this act takes effect when passed and approved according to law.

EXPENDITURES:

The Legislative Fiscal Office estimates the bill would cause the following changes to the TEEOSA (State Aid) calculation:

	FY2020-21	FY2021-22	FY2022-23
Basic Funding at 7.5%	227,072,996	240,753,664	252,653,659
LER at \$0.99	13,576,625	14,714,626	15,748,423
Ag. land to 55%	62,672,997	67,994,176	76,487,463
Total Change in TEEOSA	303,322,619	323,462,465	344,889,544

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1073	AM:	AGENCY/POLT. SUB: Dept. of Education
REVIEWED BY:	Gary Bush	DATE:	2/10/2020
		PHONE:	(402) 471-4161
COMMENTS: Unable to provide comment as no fiscal impact was given. There would be an impact to the department for support of the commission as well as potential impact to the TEEOSA formula.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1073	AM:	AGENCY/POLT. SUB: Dept. of Revenue
REVIEWED BY:	Gary Bush	DATE:	2/10/2020
		PHONE:	(402) 471-4161
COMMENTS: Agree that there will be no fiscal impact to the Department of Revenue.			

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2020

LB⁽¹⁾ 1073

FISCAL NOTE

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

Prepared by: ⁽³⁾ Lyons/Wilson Date Prepared: ⁽⁴⁾ 2/7/2020 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2020-21</u>		<u>FY 2021-22</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 1073 makes the following changes:

- Creates the School Financing Review Commission. The commission shall consist of sixteen members, which includes the Commissioner of Education or his or her designee as the Chairperson of this commission.
- Members of the School Financing Review Commission shall be appointed by the Governor to serve through 12/31/2028. No Compensation for services, but reimbursement for actual and necessary expenses incurred as a member of the commission. Cost cannot be determined at this time.
- The School Financing Review Commission shall conduct an in-depth review of the financing of the public elementary and secondary schools. As a part of such in-depth review, the commission shall:
 - Prepare a report on the progress of the work of the commission and submit it electronically to the Legislature on or before December 31, 2020; and
 - Prepare a preliminary report and present it to the Legislative Council in November 2021.
- A final report with recommendations on maintaining adequate and equitable funding for public schools in light of information gathered through the review shall be presented to the Governor, the State Board of Education, and electronically to the Legislature by December 1, 2021.
- On or before July 1 of each even-numbered year beginning in 2022 and ending in 2028, the School Financing Review Commission shall report to the Governor, to the State Board of Education, and electronically to the Legislature on the adequacy of school funding sources.
- For school fiscal year 2020-21 and each school fiscal year thereafter, creates the basic funding aid to be paid to each school district. Basic funding aid shall equal seven and one-half percent of the basic funding calculated for such school district. Basic funding aid shall be included as a formula resource.
- For school fiscal year 2020-21 and 2021-22, basic funding aid allowance and basic funding aid adjustment shall be included in the calculation of formula need for each school district.
- For school fiscal year 2022-23 and each fiscal year thereafter, basic funding aid allowance shall be included in the calculation of formula need for each school district. However, if this is to be an allowance, then language would

need to be clarified as it is not possible to have an allowance calculated using basic funding.

- It is the intent of the Legislature that if any actions are taken to decrease the amount of state aid to be certified pursuant to section 79-1022, basic funding aid pursuant to this section shall be reduced prior to any action that would reduce the amount of equalization aid to be paid.
- For school fiscal year 2020-21 and each fiscal year thereafter, the local effort rate is reduced from \$1.00 to \$.99 effectively reducing local resources for districts in the calculation of TEEOSA.
- Changes adjusted valuations used to determine local resources for Ag/horticultural from seventy two percent to fifty two percent of actual valuation for school fiscal year 2020-21 and each school year thereafter.
- Changes the certification date for 2020/21 aid to May 1, 2020 from the current certification date of March 1, 2020. The date returns to March 1 after 2020.

There will be significant fiscal cost to the State but the amount can't be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2020-21</u>	<u>2021-22</u>
	<u>20-21</u>	<u>21-22</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____

