

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below		See below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

LB177 creates the My Student, My Choice Act, the Follow the Student Fund & the School Stabilization Fund.

The My Student, My Choice Act will give parents & legal guardians the right to educate their children in an environment that reflects their own values, the State of Nebraska will provide for the education of students attending kindergarten through twelfth grade who are legal residents of Nebraska in a way which protects that right, provided that the students are enrolled in a public or private school in Nebraska.

Each year the State Treasurer will use the information provided to transfer an amount equal to fifty-five percent of the adjusted average per pupil cost of the preceding year multiplied by the total number of enrolled students in the preceding year from the General Fund to the Follow the Student Fund. The State Treasurer will establish a separate student account for each enrolled student in the State of Nebraska. Each year the State Treasurer will equally distribute the money in the Follow the Student Fund into the student accounts. The student accounts will be made available for viewing by the enrolled student's parent or legal guardian, or by the enrolled student if he or she is nineteen years of age or older or an emancipated minor. The State Treasurer will deposit money into student accounts at the beginning of each semester. Unused funds which remain in a student account on August 1 of any year will be transferred to the Cash Reserve Fund.

Each school district may levy a property tax on the taxable property within the district sufficient to generate revenue equal to forty-five percent of the adjusted average per pupil cost of the preceding year multiplied by the total number of students enrolled in the district during that year to cover the operational costs of the school district for the ensuing school year, & may do so without holding a public hearing. This property tax will be known as the Common School Tax, & revenue generated from the tax will be used exclusively to fund the operational costs of the school district which levied the tax.

The State Treasurer will transfer money from the General Fund to the School Stabilization Fund each year in order to equalize funding to the public schools. The balance of the School Stabilization Fund will not exceed thirty-five percent of the balance of the Follow the Student Fund. If the balance of the School Stabilization Fund exceeds that amount, the State Treasurer will transfer the excess to the Cash Reserve Fund. Money in the School Stabilization Fund will be distributed according to the Tax Equity & Educational Opportunities Support Act (TEEOSA).

EXPENDITURES:

The State Treasurer estimates the need to hire one FTE for this biennium to oversee the administration of the program & possibly another FTE during FY2025-26 to be the auditor overseeing the newly created program & accounts. The new admin. FTE will have a salary & benefits expense of \$112,000 for FY2023-24 & \$117,600 for FY2024-25.

Adjusted average per pupil cost of the preceding year means the amount computed by dividing the total instructional expenditure, excluding special education expenditures, by the preceding year's average daily membership as reported in the annual financial report, so there could be an impact of the Tax Equity & Educational Opportunities Support Act (TEEOSA) calculation.

The fiscal impact can not be determined at this time due to the fact that it is not known how many families will be applying for the accounts being provided in LB177.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 177 AM: AGENCY/POLT. SUB: Nebraska Department of Education

REVIEWED BY: Gary Bush DATE: 1/18/23 PHONE: (402) 471-4161

COMMENTS: Disagree with the Department of Education that a fiscal impact could not be determined. Section 6 of the bill requires parents of public school children to apply for funding. This creates an obligation of the state. For the FY2022-23 school year, there were 311,000 public school students. Assuming that 55% of the average per pupil costs equals \$1,000, over \$310 million would need to be transferred from the General Fund to fund the public school student accounts envisioned by the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 177 AM: AGENCY/POLT. SUB: Nebraska Department of Revenue

REVIEWED BY: Gary Bush DATE: 1/18/23 PHONE: (402) 471-4161

COMMENTS: Disagree with the Department of Revenue that a fiscal impact could not be determined. Section 6 of the bill requires parents of public school children to apply for funding. This creates an obligation of the state. For the FY2022-23 school year, there were approximately 311,000 public school students. Assuming that 55% of the average per pupil costs equals \$1,000, over \$310 million would need to be transferred from the General Fund to fund the public school student accounts envisioned by the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 177 (revised) AM: AGENCY/POLT. SUB: Nebraska State Treasurer

REVIEWED BY: Gary Bush DATE: 1/25/23 PHONE: (402) 471-4161

COMMENTS: No basis to disagree with the estimate provide. Because the full impact of the bill is delayed, the costs to the state will likely be much higher than estimated by the agency.

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

2023

LB⁽¹⁾ 177

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/13/23 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</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:

This bill requires the NDE to certify to the Governor, Chair of the Appropriation Committee and State Treasurer per pupil cost and the total number of students enrolled by September 1st of each year. Fiscal years and reporting timelines would need to be changed to be able to provide this data as required.

The Follow the Student Fund would be created and would be funded with 55% of the per pupil cost certified by NDE. The State Treasurer would then create student accounts for each student enrolled in the State of Nebraska. Parents would be required to apply by August 15th for the fall semester and January 15th for the spring semester for accounts. Each student account would be funded with 55% of the per pupil cost amount which could be used for several education related expenditures including tuition to schools attended. Parents would be required to make payments from these accounts to schools by September 5 and February 5th of each semester.

School districts may levy property taxes up to 45% of the per pupil cost amount certified by NDE for each year without holding a hearing. A district may access an additional 2.5% if they hold a hearing after ten days of public notification on their website.

Additionally, this bill creates the School Stabilization Fund which cannot exceed 35% of the balance of the Follow the Student Fund. This fund is to be distributed based on the current TEEOSA provisions.

Fiscal impact cannot be determined without knowing how many parents/students would apply for accounts.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____

TOTAL.....

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

2023

LB⁽¹⁾ 177 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 24, 2023 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>112,000</u>	<u> </u>	<u>117,600</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>112,000</u>	<u> </u>	<u>117,600</u>	<u> </u>

Explanation of Estimate:

There isn't enough information in this bill to determine the fiscal impact of expenditures and revenues to the State Treasurer's Office. There may be costs to issue the Smart Cards required in this bill, plus costs to create a record keeping system for individual student account balances. The bill doesn't address which fund (general, Treasury Management, etc.), will cover the admin expenses. If the fund isn't specified, I believe we're supposed to show the general fund. While it may require two (or more) FTE to carry out duties required in LB 177 (admin position and auditor position), this fiscal note includes cost for only admin position in FY 23-24 and FY 24-25. The auditor position wouldn't be hired until around the effective date of the bill, which is after then end of FY 24-25.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
School Choice Admin staff	<u>1</u>	<u>1</u>	<u>75,000</u>	<u>78,750</u>
Benefits.....			<u>37,000</u>	<u>38,850</u>
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			<u>112,000</u>	<u>117,600</u>