

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 | | | | |
| 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 608 is the Parental Choice Scholarship Program Act. Beginning in FY 2018-19, the bill allows a student to qualify for a scholarship to enroll in a private school if the student resides in a public school district which is at the lowest performance level established by the State Board of Education (NDE). The student may continue to attend the private school on scholarship until graduation or upon reaching age 21, whichever comes first.

Students participating in the scholarship program are counted as students in their school district of residence for purposes of state aid calculated pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA). The scholarship amount paid by a resident district to a private participating school is the lesser of: 75% anticipated revenue per student for the school year or actual cost of tuition, books, and uniforms. Resident school districts are responsible for transportation.

Resident school districts are to establish property tax relief funds with the other 25% of the anticipated revenue per student. The fund is to be used to reduce the property tax request in the following year after the school district budget has been adopted.

Scholarships: NDE indicates there are 86 schools in the “needs improvement” category per the AQuESTT data system in the 2015-16 school year. The membership of the schools is 30,477 students. It is unknown how many students would opt for a scholarship pursuant to the act. The amount of the scholarship would also depend upon the revenue received by the resident school district, so scholarship amounts will vary on a per student basis. It should be noted that the schools in the “needs improvement” category will change over time also.

In order to provide an estimate of the fiscal impact of the bill, it is assumed that 10% of the students currently in schools “needing improvement”, or 3,047 students, will opt for a scholarship pursuant to the bill in FY2018-19. The estimated statewide revenue in FY2016-17 from TEEOSA aid and local resources in the amount of \$3,100,641,355 is also used for illustrative purposes. The number of formula students in FY17 is 301,697. Using these assumptions and data, approximately \$23,486,000 (Aid + Local Resources divided by Formula Students x 75% x eligible students) would be paid by resident school districts to private schools for the education of students.

Property Tax Relief Fund: The bill provides for 25% of the anticipated revenue per student for those participating in the act to be deposited in a property tax relief fund to be used to reduce property taxes collected by school districts in the following school year. Using the stated assumptions about \$7,828,000 would be available to reduce property taxes in FY2019-20.

Fiscal Impact for School Districts: The bill decreases the number of students served by public schools and also reduces the amount of funds available for school districts in the “needs improvement” category. The actual fiscal impact for a school depends upon the extent to which staff and expenditures may be reduced when student numbers decline. If the decreased membership in a particular school is very few, then the resident district may not be able to decrease expenditures by the amount of revenue per pupil that is paid to the private school. It is possible that school districts may need additional resources to meet the needs of their educational programs.

There may be a change in the cost of transportation for resident school districts to transport children to private schools or pay parents for the cost of transportation. The change in cost will depend upon what is currently spent to transport children versus the cost to transport them to a different school.

TEEOSA Impact: The bill may change the amount of state aid provided to school districts beginning in FY2020-21. Currently, basic funding in the state aid formula for a district with 900 or more students is equal to the number of formula students times the average of the adjusted general fund operating expenditures (GFOE) per formula student for districts in each comparison group. A comparison group is the ten smaller and ten larger districts nearest in student size to a district. The two largest and smallest districts as measured by GFOE are not included in the comparison group.

If students leave a school district to attend a private school and total expenditures are not reduced by the amount of the average per pupil cost, then the average spending per student increases for the district losing the students. The increase may impact the needs for the comparison group which can result in changes in state aid for districts in the same comparison group as the district that loses students. Any change in state aid will occur two years after the change in spending occurs.

NDE Expenditures: NDE is to ensure that students and parents are informed annually regarding schools participating in the scholarship program and is required to develop a standard application. The department is required to adopt rules and regulations for the act. It is assumed the agency can handle the workload increase with existing staff and resources.

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2017

LB⁽¹⁾ 608 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Education

Prepared by: ⁽³⁾ Wilson, Eret, Biven

Date Prepared: ⁽⁴⁾ 02/08/17

Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2017-18</u> | | <u>FY 2018-19</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:

Since every school district has a different revenue per student amount and Needs Improvement Schools are not fixed by statute and will change over time the calculated revenue per student amount cannot be determined. In addition to not knowing a revenue per student amount, we also cannot determine the number of students that will qualify for the credit. As such, we are not able to project the cost of this bill at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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