

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$20,000		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$20,000		See Below	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 649 changes the Tax Equity and Educational Opportunities Support Act which provides state aid to school districts beginning in 2008-09. Some of the changes in the bill were modeled two years ago using 2004-05 state aid. Any fiscal estimates cited in this fiscal note are based upon this data. A new computer run would be necessary to provide updated information based upon the 2007-08 certification of aid.

Comparison Groups to Calculate Need: The bill changes the computation of the needs component of the state aid formula. Instead of using cost groups as the primary basis to calculate need, the bill establishes comparison groups for each school system to determine the amount of basic funding. The comparison group for a school is the next five schools that are larger than the district and the next five districts that are smaller than the district in size. Basic funding is determined by first subtracting the allowances for poverty, limited-English proficiency students, special education, special receipts, distance education, telecommunications, transportation, elementary sites and class size and focus schools to determine adjusted general fund operating expenditures. Then, for schools with less than 900 formula students, the basic funding for the district becomes the average of the adjusted general fund operating expenditures of the comparison group of schools, omitting the high and low schools from the calculation. Basic funding for school districts with 900 or more formula students will be based on average adjusted general fund operating expenditures per student for the comparison group.

Prior to the passage of LB 1024 (2006), the change from using cost groups to comparison groups for purposes of calculating basic funding would have been almost cost neutral in terms of the total amount of state aid distributed. However, the provision in LB 1024 which fixes “need” at least at the prior year’s level, if a district levies \$.99 or more means the change will result in an unknown increase in state aid beginning in 2008-09.

Elementary Site Allowance: The bill establishes a new allowance for elementary sites. Typically, allowances will not change the overall amount of state aid allocated, but will alter the distribution of aid between school systems. The allowances enable expenditures for these types of programs to be attributed to the school system actually providing the program rather than have the expenditures spread out amongst all of the systems.

Adjustments: The bill establishes several adjustments that are to be subtracted or added to the basic funding for a school system. A local choice adjustment will reduce state aid for systems that have fewer than 390 students, are not sparse or very sparse and do not receive federal funds in excess of 25% of the budget. It is estimated the local cost adjustment will reduce the amount of state aid distributed by about \$2 million per year. The teacher education adjustment will increase aid for school systems having teachers with masters or doctoral degrees. The student growth adjustment will increase aid for school systems that are experiencing a growth of more than 25 students. It appears that the net impact of these adjustments will be an overall increase in state aid.

The adjustment having the most significant fiscal impact in the bill is the averaging adjustment. This adjustment will increase state aid for schools whose basic funding per student is less than the statewide average basic funding per formula student. The adjustment equals the district’s formula students times 50% of the difference between the district’s basic funding per formula student and the statewide average funding per formula student. It is estimated that this adjustment, coupled with the use of comparison groups to determine basic funding, may increase the amount of state aid distributed by over \$32 million.

Administration: LB 649 will increase NDE expenditures for administration. It is estimated there will be \$20,000 of one-time operating expenses and capital outlay costs in 2007-08 for computer programming, data collections and server upgrades to collect and process the information required to implement the bill.

In summary, based on the provisions of the bill that have been modeled in the past, the bill will increase state aid by at least a \$34 million in 2008-09. The change to using comparison groups to determine need, the inclusion of a teacher education and the addition of a student growth adjustment will also increase state aid by undetermined amounts. NDE will have increased administrative costs of \$20,000 in 2007-08.