

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$2,217,725	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$2,217,725	

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

LB 179 dissolves the learning community, which includes eleven school district members in Douglas and Sarpy counties, on July 1, 2014. All records, books, papers, funds and personal property belonging to the learning community shall be delivered to the State Board of Education to be distributed to school district members. Any remaining funds are to be allocated to each member school in the same proportion as taxable valuation in each district bears to total taxable valuation of all districts in the learning community.

State Aid (TEEOSA): The elimination of the learning community changes the calculation of state aid for districts involved in the learning community. Currently, the pooling of all the needs and resources of member districts in the aid calculation saves the state about \$3.1 million of aid provided through the formula. The repeal of these provisions will increase aid by a like amount beginning in FY15.

The bill repeals current law requiring school districts in the learning community to transport students participating in open enrollment in member districts. The repeal of the transportation requirement reduces school district expenditures for state aid purposes by an estimated \$3.2 million beginning in FY15. Any changes in school spending impact the amount of state aid distributed two years later. So, the fiscal impact of decreased transportation expenditures by the learning community will impact state aid beginning in FY17.

Any change in state aid is dependent upon how decreased spending for transportation impacts the calculation of basic funding for districts and whether the needs stabilization offsets decreases in basic funding. Since the majority of the districts in the learning community are in the same comparison group in terms of computing basic funding and most are equalized, the bill likely will reduce state aid by some amount in the future. NDE estimates aid could be reduced by about \$2.9 million.

The bill also allows for the continuation of the focus school allowance in the state aid formula for schools in the learning community which operated focus schools prior to the dissolution of the learning community.

Aid for the Learning Community: The state provides \$882,275 of general funds as aid for the learning community in 2012-13. The repeal of the learning community reduces expenditures by this amount beginning in FY15. The learning community also receives \$420,322 of state aid through the aid formula for educational service units. This funding will be shifted to ESU's pursuant to the bill unless the Legislature decreases the total amount of aid allocated through the ESU aid formula by the amount currently allocated to the learning community.

School Districts: LB 179 will have an unknown fiscal impact for the eleven school districts which are members of a learning community beginning in FY15. State aid will no longer be determined by pooling need and resources of the member districts. Some districts will lose state aid and others will have increased aid. Likewise, the common \$.95 levy for member districts which generates about \$452 million in property taxes in 2012 for member districts will be repealed. This will allow each of the school districts to levy an individual levy and receive the amount of property taxes collected per the valuation of the district. Some districts will have decreased property tax receipts and others will have increased receipts.

The bill also eliminates the common levy special building fund levy of up to \$.02 cents. The taxes received from the levy are distributed proportionately to member school districts based on formula students to be used for special building funds.

Learning Community: Two levies authorized to operate the learning community and elementary learning centers are repealed beginning in FY15. A levy of up to \$.01 cent authorized for the operation of elementary learning centers is repealed. The levy generates

approximately \$4.8 million in property tax receipts based on 2012 valuations. The decrease in receipts eliminates a like amount of expenditures for elementary learning center programs.

The fiscal note prepared by the learning community indicates the political subdivision does not intend to utilize the \$.01 levy in FY14, if the learning community is dissolved on July 1, 2014. There will be sufficient budgeted reserves to complete programming in the elementary learning centers in that fiscal year. There will also be decreased expenditures of \$2.4 million because initial contract payments for services in the ensuing year, FY15, will not be made.

The learning community is also authorized to levy up to \$.02 cents for capital projects. The funds are restricted to use for leases and improvements for elementary learning centers and 50% of capital projects for new focus schools or programs. The \$.02 cent levy raises about \$9.6 million. However, the learning community did not levy anything for capital projects in the current fiscal year, FY13.

Summary: The following table shows the estimated fiscal impact of the bill for the state General Fund. The overall fiscal impact for school districts is unknown because the overall change in property tax receipts and state aid for schools in the learning community is not known. The dissolution of the learning community will eliminate expenditures of the political subdivision which total about \$6 million per year for administrative expenses and operations of community learning centers.

	FY2014-15	FY2015-16	FY2016-17
TEEOSA Aid:			
Repeal Pooling of aid in Learning Community	3,100,000	3,100,000	3,100,000
Decreased Transportation Expenditures	<u>0</u>	<u>0</u>	<u>-2,800,000</u>
Total Estimated TEEOSA Aid Change	3,100,000	3,100,000	300,000
Repeal State Aid to Learning Community	<u>-882,275</u>	<u>-882,275</u>	<u>-882,275</u>
Total Change in State Aid	\$2,217,725	\$2,217,725	\$-582,275

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 179	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Matthew Eash		DATE: 2/25/2013	PHONE: 402-471-4175
COMMENTS: Under current law for FY 2013-14, Learning Community (LC) Open Enrollment transportation expenditures that contribute to TEEOSA State Aid will be approximately offset by the savings to TEEOSA State Aid that are generated by the LC redistribution computation. While this is coincidental, the factors that contribute to these amounts should not change significantly in the next few years, making it likely that the offset would continue to be approximately equal. Therefore, existence or non-existence of the LC would have nominal impact on final computation of total TEEOSA State Aid in subsequent years, but distribution of aid among Learning Community member school districts would change significantly. Non-member districts would experience no change in aid distribution.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 179	AM:	AGENCY/POLT. SUB: Learning Community of Douglas/Sarpy Counties	
REVIEWED BY: Matthew Eash		DATE: 2/25/2013	PHONE: 402-471-4175
COMMENTS: Beginning in FY 2014-15, LB 179 would result in a reduction of approximately \$1.3 million in state General Fund appropriations, which is the amount of the current Aid allocations for the LC's organizational operations. LB 179 would not automatically prevent the Learning Community (LC) from collecting property taxes for special building funds or elementary learning centers during FY 2013-14. For calendar year 2013, the LC levies \$0.01 per \$100 of valuation for these purposes, and it will receive some of these proceeds during FY 2013-14. The LC may voluntarily end its levy for calendar year 2014, but LB 179 does not appear to require that. If the current levy rate remained in place for calendar year 2014, then approximately \$4.8 million would still be collected by the LC during the 12 consecutive months of FY 2013-14.			

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2013

LB⁽¹⁾ 179 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) NDE/School Finance & Organization Services

Prepared by: (3) Inbody, Wilson Date Prepared: (4) January 15, 2013 Phone: (5) 1-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate: The dissolution of the Learning Community would cause the two factors mentioned below to offset with the net effect being approximately zero. Open enrollment transportation expenses of around \$2.8 million included in General Fund Operating Expenditures would be eliminated although some of those expenses would become option enrollment transportation expenses and still be included in General Fund Operating Expenditures. The process of combining all Learning Community needs and resources when calculating state aid for the Learning Community causes two districts that are non-equalized to become equalized and saves the state approximately \$2.8 million.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-2014</u>	<u>2014-2015</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

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2013

LB⁽¹⁾ 179 FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Learning Community of Douglas and Sarpy Counties

Prepared by: (3) Brian Gabriel Date Prepared: (4) 1/17/13 Phone: (5) 402-964-2198

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$0	\$0	-\$920,322	-\$920,322
CASH FUNDS	\$0	\$0	\$0	\$0
FEDERAL FUNDS	\$0	\$0	\$0	\$0
OTHER FUNDS	-\$2,400,000	-\$4,800,000	-\$4,800,000	-\$4,800,000
TOTAL FUNDS	-\$2,400,000	-\$4,800,000	-\$5,720,322	-\$5,720,322

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 179 would clearly have a large an impact on the budget of the Learning Community of Douglas and Sarpy Counties as the bill completely eliminates the political subdivision.

Although the bill sets a date of July 1, 2014, an assumption I used for estimating impact was the date of elimination would coincide with the end of the Learning Community fiscal year, which would set the date at September 1, 2014.

For FY 2013-14, the Learning Community would not need to make initial contract payments for FY 2014-15 ELC programming, this is reflected in the -\$2.4M impact to expenditures. Additionally, the Learning Community would use budgeted reserves to make mid-term and final payments on FY 2013-14 ELC programming, hence there would be no monies levied under the ELC levy resulting in the -\$4.8M impact to revenue.

For FY 2014-15, the Learning Community would not receive nor spend any funds reflected in the negative expenditures and revenues of totaling -\$5,720,322. This \$5,720,322 is comprised of \$500,000 in state appropriation, \$420,322 in ESU Core Service and Technology funds, and \$4,800,000 in ELC levy funds.

While the above described the estimated direct fiscal impact to the budget of the Learning Community of Douglas and Sarpy Counties, there would also be fiscal impacts to each of the school districts within the Learning Community. Reverting back to the non-pooled state aid and individual levy would alter how much each district receives through state aid and how much each receives from property levies. Additionally, because formula resources and needs would no longer be pooled to determine the amount of equalization aid to be distributed to Learning Community school districts, those districts where resources exceed need would merely receive zero equalization aid instead of offsetting those districts where needs exceed resources. This would result in an increase in the aggregate amount of equalization aid to the Learning Community districts. It is difficult to say how much additional state aid would be due the districts for FY 2013-14 and FY 2014-15, but for FY 2011-12 this amount would have been \$2,588,777 and for FY 2012-13 this amount would have been \$3,133,133.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14 EXPENDITURES</u>	<u>2014-15 EXPENDITURES</u>
	<u>13-14</u>	<u>14-15</u>		
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				