

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 | | | \$40,784,000 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | \$40,784,000 | |

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

LB 599 changes the computation of state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act beginning in FY2014-15. The bill changes the definition of general fund operating expenditures (GFOE) in the school aid formula and also changes budget limitations with regard to school retirement contributions. The bill also repeals sections of law referring to school district reorganization incentives.

General Fund Operating Expenditures: The bill redefines general fund operating expenditures for purposes of calculating school aid. Beginning in FY2014-15, general fund operating expenditures will include tuition paid and transportation fees paid to other districts. In FY12, school districts expended \$20.6 million in these categories. The inclusion of these expenditures as general fund operating expenditures increases state aid by an estimated \$17,456,000 in FY15.

LB 599 also provides that expenditures made by a school district to pay for employer contributions to the School Employees Retirement System or the Class V School Employees Retirement System which are in excess of a contribution rate of 7.35% for the School Employees System or 7.37% for the Class V System will be included in GFOE beginning in FY2014-15. In FY12, school districts expended about \$22.8 million for this purpose. Including the expenditures as part of GFOE will increase state aid by an estimated \$23,328,000 in FY15.

Budget Limitations: The bill changes the date for the sunset of the budget exclusion for retirement benefits paid by school districts from FY2016-17 to FY2013-14. However, the bill provides that the dollar amount of expenditures for this purpose made in FY2013-14 can be included in the calculation of budget authority for future years. NDE indicates that 178 districts were approved for an increase in budget authority for retirement contributions in the amount of \$32.7 million in FY13. The bill allows the districts to retain the budget authority in their base in the amount that is expended for retirement benefits by school districts in FY2013-14.

Technical Note: The balance remaining in the School District Reorganization Fund on January 31, 2013 is \$120,195. The State Department of Education does not expect to spend any of the remaining balance this fiscal year. The fund is repealed by the bill. The provisions of current law provide for a lapse of any remaining balance on July 1, 2013 to the Education Innovation Fund. However, with the emergency clause on the bill, the fund will be repealed prior to the lapse occurring.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | | |
|---|-----|---|--|
| LB: 599 | AM: | AGENCY/POLT. SUB: Department of Education | |
| REVIEWED BY: Matthew Eash | | DATE: 2/10/2013 | PHONE: 402-471-4175 |
| COMMENTS: LB 599 should have no impact on TEEOSA State Aid for FY 2013-14, but in FY 2014-15, it would allow an estimated \$43 million in school spending to be added to the TEEOSA Formula Need calculation, which could increase the current estimate for FY 2014-15 by up to \$46 million. However, it is difficult to predict the fiscal impact to FY 2014-15 because any significant change in expenditure exclusions from one year to the next (in this case, a \$43 million decrease) may result in unpredictable offsets by TEEOSA "Needs Stabilization." TEEOSA State Aid for FY 2014-15 or any subsequent years cannot be definitively calculated at the school district level, so the amounts represented in this analysis are derived from DAS-Budget Division statewide modeling. | | | |

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2013

LB⁽¹⁾ 599 FISCAL NOTE

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

Prepared by: ⁽³⁾ Inbody, Bergquist Date Prepared: ⁽⁴⁾ 1-29-2013 Phone: ⁽⁵⁾ 1-4320

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 | ===== | ===== | ===== | ===== |

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

Explanation of Estimate:

This bill would change the calculation of General Fund Operating Expenditures (GFOE) component of State Aid (TEEOSA) for 2014/15 and each school fiscal year thereafter. Tuition paid to other schools/entities, transportation paid to other schools/entities, and the increase in retirement contributions would be removed from the calculation of GFOE. The statutes referencing reorganization incentive payments and the School District Reorganization Fund are outright repealed.

The bill would change the expenditure exclusion for the Increase in Retirement Contribution to sunset at the end of the 2013/14 school fiscal year rather than the current sunset at the end of the 2016/17 school fiscal year. The amount of the approved expenditure exclusion in 2013/14 would remain in the base calculation for budget authority for the 2014/15 school fiscal year.

This bill contains the Emergency Clause.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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

Fiscal Impact:

To NDE: There would be no fiscal impact to the Department of Education.

To School Districts: School districts with the budget-based calculation of budget authority may see an increase in its budget authority for the 2014/15 school fiscal year. For the 2012/13 school fiscal year, 178 school districts were approved for the Increase in Retirement Contribution for a statewide total of \$32,672,864. If this expenditure exclusion would grow by the current Basic Allowable Growth Rate of 2.5%, there would be an increase \$33,489,686 in budget authority for the 2014/15 school fiscal year.

Removing tuition paid to other schools/entities, transportation paid to other schools/entities, and the increase in retirement contributions would be removed from the calculation of GFOE may result in a reduction in the Basic Funding component of State Aid (TEEOSA). This may cause a decrease in Statewide Total Formula Needs and a shifting of State Aid (TEEOSA) dollars. An estimate of this shift in State Aid (TEEOSA) dollars is unknown at this time.