

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	See Below		See Below	
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 640 changes the computation of state aid pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA) for FY2013-14 and FY2014-15. The following provisions of the bill may have a fiscal impact on the amount of state aid allocated in FY14 and FY15.

Aid Adjustment Factor: The bill provides for a temporary aid adjustment factor in FY2013-14 and FY2014-15. The amount of the aid adjustment factor is unspecified in the bill. The aid adjustment factor is a percentage of total formula need. If a factor is applied, there will be a decrease in formula need, which decreases the total amount of state aid distributed. As an example, a 1% aid adjustment factor on formula need reduces state aid by about \$25 million per year. The bill also provides for the temporary aid adjustment factor to be used to reduce allocated income tax funds and net option funds in the formula.

Averaging Adjustment: The bill repeals the current averaging adjustment in the formula. The repeal of this provision has no fiscal impact because no school district will qualify for the adjustment in FY2013-14.

Needs Stabilization: LB 640 also provides an unspecified change in the computation of needs stabilization in the formula. After formula needs are determined for school districts, districts with needs at less than 100% of the prior year's needs are brought up to 100% and districts with needs in excess of 112% of the prior year's needs are decreased to 112%. The bill removes the current percentages inferring that the needs stabilization component of the formula can be adjusted to change state aid.

Basic Funding: The bill changes the computation of basic funding for school districts with 900 or more formula students beginning in FY2013-14. Currently, basic funding 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.

LB 640 changes the basic funding computation to exclude only the largest and smallest districts from the calculation of basic funding for a comparison group. It also establishes a similar form of the current averaging adjustment in the calculation of basic funding for these districts. The adjustment increases aid for districts in which the district's basic funding per formula student is less than the average for all districts with 900 or more students. Districts must levy at least \$1.02 in the prior year to receive the adjustment in basic funding. The estimated increase in state aid pursuant to the revised calculation of basic funding in the bill is about \$11.8 million in FY14 and \$15 million in FY15, using the same percentages in current law that are used to calculate the averaging adjustment based upon the general fund levy.

In summary, the actual fiscal impact of the bill cannot be determined because the percentages to be used for the aid adjustment factor, needs stabilization and the modified averaging adjustment are not specified in the bill.

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

LB: 640	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY: Matthew Eash		DATE: 2/7/2013	PHONE: <a href="tel:402-471-4175">402-471-4175</a>
COMMENTS: Generally concur with the Department that the Temporary Aid Adjustment would serve to decrease total TEEOSA State Aid in FY 2013-14 and FY 2014-15, and the new "Averaging" function would serve to increase total TEEOSA State Aid, with such increase distributable only among the 41 out of 249 school districts that have 900 or more formula students. Also, this legislation would change the minimum and maximum Formula Need thresholds and computation factors for Needs Stabilization. The net increase or decrease to TEEOSA State Aid is dependent on the factors used to adjust all three of these formula components, which the introduced version of this legislation leaves blank for consideration.			

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

**2013**

**LB<sup>(1)</sup> 640 FISCAL NOTE**

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

Prepared by: (3) Wilson/Inbody Date Prepared: (4) January 29, 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	=====	=====	=====	=====

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

Explanation of Estimate:

This bill would bring back the temporary aid adjustment which would decrease total state aid. This bill also creates an averaging function similar to the averaging adjustment for districts with over 900 students that is added to the basic funding calculation. The averaging function added to basic funding would increase state aid for some districts with more than 900 students. The basic funding calculation would also be changed to eliminate the highest and lowest spending districts in the comparison group for schools with over 900 students instead of the highest and lowest two districts. NDE cannot determine total savings from this bill as the temporary aid adjustment will decrease state aid but will be offset by the averaging function added to basic funding.

**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.....	_____	_____	_____	_____