PREPARED BY: Sandy Sostad
DATE PREPARED: February 07, 2013
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# LB 469

**Revision: 00**

# 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 | | | | |
| 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 469 changes the calculation of state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act beginning in FY2013-14. The bill changes the definition of general fund operating expenditures (GFOE) in the school aid formula and also changes budget limitations with regard to voluntary termination agreements.

General Fund Operating Expenditures: The bill redefines general fund operating expenditures for purposes of calculating school aid. Current law provides that GFOE does not include expenditures for voluntary termination agreements paid by a school district to certificated employees which occur prior to July 1, 2009 or on or after the last day of the FY2010-11 school year and prior to the first day of the FY2013-14 school year.

LB 469 continues the exclusion for voluntary termination agreements from the calculation of GFOE beginning with aid calculated in FY2013-14. Expenditures for voluntary terminations will not be included in GFOE to the extent a district can demonstrate a savings in salary and benefits over a five-year period. The exclusion of these expenditures from general fund operating expenditures continues the current policy with regard to these expenditures, except districts will need to document savings over a five year period, so there should be no fiscal impact in terms of the amount of state aid distributed.

Budget Limitations: The bill continues the budget lid exclusion for expenditures for voluntary termination agreements for which a district can demonstrate salary and benefit savings over a five year period. The continuation of the exclusion will allow districts to spend more than would have been spent in the absence of the exclusion. The amount of spending is unknown. The State Department of Education indicates that 62 school districts were approved for voluntary termination expenditure exclusions of about $13.3 million in FY2012-13.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | |
|---|---|---|
| LB: 469 | AM: | AGENCY/POLT. SUB: Department of Education |
| REVIEWED BY: Matthew Eash | DATE: 2/1/2013 | PHONE: 402-471-4175 |
| COMMENTS: LB 469 permanently changes the methodology for excluding Voluntary Termination expenditures with respect to computing TEEOSA State Aid, beginning with FY 2013-14. Current law excludes all such expenditures from the calculation of TEEOSA Formula Need through FY 2014-15 certification. Beginning with TEEOSA Aid for FY 2013-14, this legislation would exclude only expenditures that produce a 5-year savings to schools. It would allow expenditures that do not produce savings. Any increase in allowable expenditures would likely increase TEEOSA State Aid. This may be a disincentive for a school to demonstrate cost savings, which could receive less TEEOSA Aid. If no school chose to demonstrate cost savings to the state, then all voluntary termination expenditures would be allowable for computing TEEOSA Formula Need. The Department's January-2013 preliminary calculation of FY 2013-14 TEEOSA State Aid would then increase by approximately $2.4 million.<br>The Department has reported that schools are approved for $13,266,368 in Voluntary Termination Expenditures for current FY 2012-13. This data would be used to calculate FY 2014-15 TEEOSA State Aid. It would be difficult to predict the fiscal impact to FY 2014-15 because any significant change in Voluntary Termination expenditures from one year to the next (in this case, from $2.7 million to $13.3 million) may result in unpredictable offsets by TEEOSA "Needs Stabilization."<br>FY 2015-16 and subsequent years would experience no fiscal impact because current law will already allow all Voluntary Termination expenditures for TEEOSA calculations. Subsequent years of TEEOSA Aid cannot be definitively calculated at | | |

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| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES, cont'd. |
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| the school district level, so biennial and out-year impacts are derived from DAS-Budget Division statewide modeling. Note that LB 469 also would limit schools' ability to exceed their statutory budget lids with Voluntary Termination expenditures, which might incentivize schools to demonstrate 5-year cost savings. Most schools are not at or near their budget limits, so they would not be adversely impacted by forfeiting a budget exclusion they do not use. |

**Please complete ALL (5) blanks in the first three lines.** **2013**

# LB(1) 469 FISCAL NOTE

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

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

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

| | FY 2013-2014 EXPENDITURES | FY 2013-2014 REVENUE | FY 2014-2015 EXPENDITURES | FY 2014-2015 REVENUE |
|---|---|---|---|---|
| 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 continue to allow any expenditure for a voluntary termination agreement to be outside of the expenditure limitation without a sunset date. The school district would still be required to apply to the State Board of Education for approval to access the expenditure exclusion. The school district would be required to provide information showing the savings over a five-year period that would be generated by the voluntary termination expenditure exclusion.

The calculation of General Fund Operating Expenditures (GFOE) beginning with the certification of 2015/16 State Aid may be impacted by this change in eligibility criteria for voluntary termination agreements.

This bill contains the Emergency Clause.

**MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

| POSITION TITLE | NUMBER OF POSITIONS 13-14 | NUMBER OF POSITIONS 14-15 | 2013-2014 EXPENDITURES | 2014-2015 EXPENDITURES |
|---|---|---|---|---|
| | | | | |
| | | | | |
| 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: Changing the eligibility criteria for the voluntary termination expenditure exclusion may increase the number of schools applying for this exclusion which may increase expenditures for those schools. For school fiscal year 2012/13, 62 school districts were approved for a voluntary termination expenditure exclusion of $13,266,368.

Since this change in the eligibility criteria for the voluntary termination expenditure exclusion would be effective for the 2013/14 school fiscal year/reporting year, there would be no impact on State Aid (TEEOSA) until the certification of 2015/16 State Aid.