PREPARED BY: Sandy Sostad
DATE PREPARED: February 07, 2013
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LB 357

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 357 changes the calculation of state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act beginning in FY2015-16. 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 357 continues the exclusion for voluntary termination agreements from the calculation of GFOE beginning with aid calculated in FY2015-16. Expenditures for voluntary terminations occurring on or after the last day of the 2013-14 school year and prior to the first day of the 2015-16 school year 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 allows 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: 357	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Matthew Eash	DATE: 2/10/2013	PHONE: 402-471-4175

COMMENTS: LB 357 should have no fiscal impact on FY 2013-14 or FY 2014-15. Beginning in FY 2015-16, it permanently changes the methodology for excluding Voluntary Termination expenditures with respect to computing TEEOSA State Aid. Current law excludes all such expenditures from the calculation of TEEOSA “Formula Need” through FY 2014-15 certification, but subsequent years would allow all expenditures. LB 357 would extend the exclusion for all subsequent years, but only for expenditures that produce a 5-year savings to schools. It would allow expenditures that do not produce savings. Any increase in allowable expenditures may cause an increase to TEEOSA “Formula Need.” This could create a disincentive for a school to demonstrate cost savings, which could result in less TEEOSA Aid. If no school chose to demonstrate cost savings to the state, then all Voluntary Termination expenditures would be allowable in FY 2015-16 and all subsequent years.

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

LB(1) 357 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		FY 2014-2015	
	EXPENDITURES	REVENUE	EXPENDITURES	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 expenditures for a voluntary termination agreement to be outside of the expenditure limitation with the addition of a new qualifying requirement and with an extension to the sunset provision. The new qualifying requirement is a school district would need to show a cost savings in salary and benefits over a five-year period. A school district may apply for this expenditure exclusion for agreements that occur prior to August 31, 2015. The current deadline for applying for this exclusion is August 31, 2013. The school district would still be required to apply to the State Board of Education for approval to access the 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	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: Adding additional the eligibility criteria for the voluntary termination expenditure exclusion may decrease the number of schools applying for this exclusion which may decrease 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.