

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$14,334,800	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$14,334,800	

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

LB 903 pertains to the learning community, which includes eleven school districts in Douglas and Sarpy counties. The bill repeals the common levy and special building fund levy authorized for school districts in the learning community. The calculation of state aid (TEEOSA) on a collective basis for school districts in the learning community is eliminated and an extreme poverty adjustment is added to the TEEOSA formula in addition to other changes shown below.

Repeal of Common Levy: The bill repeals the common \$.95 levy for school districts which are members of a learning community effective July 1, 2017. The levy generates about \$492.5 million of property taxes in 2015. The common levy is currently allocated among member districts proportionally based upon the difference of the district's formula need less the sum of state aid and other actual receipts. The repeal allows each district to levy an individual levy and receive the amount of property taxes collected per the valuation of the district. Some districts in the learning community will have decreased property tax receipts and others will have increased receipts pursuant to the repeal.

Repeal of Special Building Fund Levy: LB 903 also repeals the authorization for a special building funds levy for the learning community on July 1, 2017. The levy is a maximum of \$.02 and would generate about \$10.4 million based upon 2015 valuations. Taxes received from the levy are distributed proportionately to member school districts based on formula students. The learning community schools did not utilize the levy in 2015.

Combined Levy: The bill combines two levies currently authorized for the learning community into a single levy. The one-half cent levy for elementary learning center facilities and the one and one-half cent levy for early childhood education programs, elementary learning center employees, contracts with other entities and for pilot projects are combined to total two cents. No more than 10% can be used for elementary learning center employees. The bill also provides for the proceeds of this levy to be used for evaluation and research which is currently funded by ESU core services funds allocated to the learning community.

Change in Calculation of State Aid (TEEOSA):

Repeal of Shared Aid in the Learning Community: Currently, state aid for the eleven school districts in Sarpy/Douglas counties in the learning community is calculated collectively. The combined formula needs of all the districts in the learning community are compared to the combined formula resources of all districts in the learning community to determine the amount of equalization aid for the school districts in the learning community. Each school district receives a proportional share of equalization aid based upon its share of total formula needs. Beginning in FY2017-18, the repeal of the pooling concept for state aid for the learning community will increase state aid to schools by about \$5,357,500, based upon state aid calculated for FY17.

Addition of Extreme Poverty Adjustment: LB 903 adds an adjustment in the state aid formula for extreme poverty. The adjustment is equal to: the statewide average general fund operating expenditures per formula student multiplied by .013 and then multiplied by the number of poverty students. It is estimated the adjustment will increase state aid by \$8,977,300 in FY18 based upon the current estimate of aid to be provided in FY17.

Conversion of the Open Enrollment Program in the Learning Community: The bill provides that students in the learning community who are enrolled outside their resident district through the open enrollment program will become option enrollment students in FY17. It is assumed the change will not have a fiscal impact other than the elimination of required transportation for these students.

Elimination of Required Transportation for Students in the Open Enrollment Program: 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 by an estimated \$4.6 million beginning in FY17. Any changes in school

spending impact the amount of state aid distributed two years later. So, the fiscal impact of decreased transportation expenditures by members of the learning community will impact state aid beginning in FY19.

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, these provisions of the bill will likely reduce state aid in the future.

Reduction in Aid for the Learning Community/Increase for Educational Service Units: The bill eliminates ESU core services funding for the learning community and restores the funding to ESU's # 19 and #3 beginning in FY2017-18. Based upon FY2015-16 aid allocations, the change will reduce state aid to the learning community by \$654,383 and increase state aid to ESU's by a like amount.

Learning Community of Douglas and Sarpy Counties: The repeal of the common levy, special building fund levy and the change in the calculation of state aid impacts the school districts in the learning community, but not the learning community itself. The only loss in revenue for the learning community will be about \$654,000 in core service funding which was earmarked for evaluation and research. The bill allows the combined \$.02 levy to be used for this purpose, in addition to other authorized uses.

The learning community will have a minimal reduction in the duties with respect to preparing and submitting a budget for the common levy. The provisions of the bill which reduce the number of members on the learning community coordinating council from 18 to 12 will likely result in a small decrease in expenditures, if the expenses of these members are being paid.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:903	AM:	AGENCY/POLT. Department of Education	
REVIEWED BY: James Van Bruggen		DATE: 1/20/16	PHONE: 471-4179
COMMENTS: There is no basis to disagree with the Department of Education.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 903	AM:	AGENCY/POLT. Educational Service Unit Coordinating Council	
REVIEWED BY: James Van Bruggen		DATE: 1/29/16	PHONE: 471-4179
COMMENTS: There is no basis to disagree with the Educational Service Unit Coordinating Council.			

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

2016

LB⁽¹⁾ 903

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Education

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 1/13/16

Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	\$13,000,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>\$13,000,000</u>	<u>_____</u>

Explanation of Estimate:

LB 903 also eliminates the common levy and shared state aid calculation for the Learning Community. The elimination of the Learning Community calculation will result in an additional \$5 million which is the non-equalized amount of two districts in the Learning Community that will no longer be subtracted from the total amount of state aid allocated to the Learning Community schools.

LB 903 creates the extreme poverty adjustment for districts with more than 40% of their formula students in poverty. The adjustment equals the statewide average general fund operating expenditure per formula student multiplied by .013 then multiplied by the number of poverty students. This adjustment will add around \$8 million to TEEOSA.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	\$13,000,000
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	\$13,000,000

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

2016

LB⁽¹⁾ LB 903

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Educational Service Unit Coordinating Council

Prepared by: ⁽³⁾

David Ludwig

Date Prepared: ⁽⁴⁾

1-21-16

Phone: ⁽⁵⁾

402-597-4915

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

Within the financial structure of the Learning Community, ESU's 3 and 19 will continue to be impacted with the loss of 10% of ESU Core Service Funds for each fiscal year. The fiscal impact of any legislation that removes the transfer of 10% of Core Service Funds to the Learning Community Coordinating Council would increase the amount of Core Services Funding to ESU's 3 and 19 due to the reinstatement of the 10% Core Services Funds.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____