

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	\$107,816,171		\$136,866,869	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$107,816,171		\$136,866,869	

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

LB 883 changes the formula which provides state aid to schools pursuant to the Tax Equity and Educational Opportunities Support Act (TEEOSA). The fiscal estimate for FY2016-17 is based upon a comparison of the estimated aid that will be distributed in FY2016-17 per current law, using the preliminary certification of state aid, and the aid that will be allocated per LB 883. The fiscal impact for FY2017-18 and beyond is estimated and may change pursuant to school spending and valuation changes. Note that LB 883 will require a recertification of state aid if the formula is to be changed for FY2016-17.

CHANGES TO NEEDS IN THE TEEOSA FORMULA: The bill changes various portions of the computation of school district needs in the state aid formula. The changes which will have a fiscal impact are as follows:

Summer School Allowance: The bill eliminates the summer school allowance beginning in FY2016-17. This will reduce the amount of state aid distributed in FY17 by an estimated \$3.6 million.

Elementary Site Allowance: The bill eliminates the elementary site allowance beginning in FY2016-17. Elimination of the elementary site allowance increases the amount of state aid allocated in FY17 by \$3.4 million.

Averaging Adjustment: The averaging adjustment in the formula is eliminated beginning in FY2016-17. The averaging adjustment increases need for districts with 900 or more formula students whose basic funding per student is less than an averaging adjustment threshold. Elimination of the averaging adjustment decreases state aid by an estimated \$21.6 million in FY17.

CHANGES TO RESOURCES IN THE TEEOSA FORMULA:

Foundation Aid: LB 883 provides foundation aid for school districts. The aid is provided on a per student basis and the amount of aid is phased-in over a four year period as follows: \$1,500 for FY17; \$2,000 for FY18; \$2,500 for FY19; and, \$3,000 for FY20 and each year thereafter. The estimated increase in state aid is \$97.9 million in FY17. Note that the actual calculated amount of foundation aid per student is \$452.5 million. However, LB 883 provides that the amount of foundation aid per student received by a district will be included as a formula resource for purposes of calculating state aid. So, the amount of foundation aid received will be used to offset needs for equalized school districts in the formula so that net increase in foundation aid is \$97.9 million.

Minimum Levy Adjustment: The minimum levy adjustment is eliminated in FY 2016-17. The adjustment reduces aid for any school with general fund levy that is less than \$.95. The elimination of the adjustment increases state aid by an estimated \$9.8 million in FY17.

Net Option Funding/Allocated Income Taxes: Net option funding is eliminated by the bill. Currently, \$102.3 million of state aid is allocated to school districts as allocated income taxes and net option funding. The amount of net option funding is provided first and the remaining funds are distributed as allocated income taxes. The elimination of net option funding means the entire \$102.3 million will be distributed as allocated income taxes.

The total amount of aid distributed by the bill for these provisions is unchanged. The fiscal impact will vary by district depending upon whether the amount of net option funding lost is replaced by an increase in allocated income tax receipts. The net fiscal impact of the change is a decrease in state aid of \$14.6 million in FY17.

AID HOLD-HARMLESS PROVISION: The bill provides a hold-harmless provision in terms of the total amount of state aid received by a school district. Schools are guaranteed to receive at least the same amount of state aid in FY17 as was received in FY16. In FY18,

schools are guaranteed 75% of the prior year's aid. In FY19, aid is guaranteed to be 50% of the prior year and in FY20, aid is held harmless at 25% of the prior year's allocations. Beginning in FY2020-21, the hold-harmless provision is eliminated and schools receive the amount of calculated aid. The hold-harmless provision increases state aid by about \$36.4 million in FY17.

PROPERTY TAX REDUCTION: The foundation aid provided on a per student basis per the bill is required to be used to reduce property taxes levied by a school district. The Auditor of Public Accounts is to review each district's budget request for compliance. A district which does not comply will forfeit 25% of foundation aid received for the ensuing three fiscal years. So, property taxes will decrease statewide by an estimated \$452.5 million in FY17 and \$603.4 million in FY18 based upon estimated foundation aid provided to school districts.

School districts are required to create a citizen oversight group before July 1, 2016. The group of at least three people is to review a district's budget to ensure that foundation aid funds are used to reduce a district's levy. A written report of the group's findings is to be submitted annually to the State Department of Education.

SUMMARY:

The following table shows the net fiscal impact of the bill for school districts. The table shows the estimated net foundation aid which increases over four years on a phased-in basis from \$1,500 to \$3,000 per student and reductions in the hold-harmless provision during the same period. The final calculation shows the net fiscal impact of the bill for school districts of increased state aid less the amount that property taxes must be reduced to reflect the foundation aid received.

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Current Law – Estimated State Aid Total	\$979,312,969			
Eliminate Summer School Allowance	-3,591,904	-3,591,904	-3,591,904	-3,591,904
Eliminate Elementary Site Allowance	3,425,241	3,425,241	3,425,241	3,425,241
Eliminate Averaging Adjustment	-21,567,745	-21,567,745	-21,567,745	-21,567,745
Net Foundation Aid (\$1,500/Student)/Accountable Receipt	97,908,413			
Net Foundation Aid (\$2,000/Student)/Accountable Receipt		136,057,134		
Net Foundation Aid (\$2,500/Student)/Accountable Receipt			180,820,831	
Net Foundation Aid (\$3,000/Student)/Accountable Receipt				236,673,174
Eliminate Minimum Levy Adjustment	9,811,193	9,811,193	9,811,193	9,811,193
Eliminate Net Option Funding/Increase Income Tax Rebate	-14,561,120	-14,561,120	-14,561,120	-14,561,120
Phased-in Hold Harmless Provision	<u>36,392,093</u>	<u>27,294,070</u>	<u>18,196,046</u>	9,098,023
Increase in State Aid to Schools	\$107,816,171	\$136,866,869	\$172,532,542	\$219,286,862
Less: Decrease in Property Taxes per Actual Foundation Aid	<u>-452,545,252</u>	<u>-603,393,670</u>	<u>-754,242,087</u>	<u>-905,090,504</u>
Net Fiscal Impact of LB 883 for Schools	-\$344,729,081	-\$466,526,801	-\$581,709,545	-\$685,803,642

Technical Note: In order to impact state aid allocated in FY2016-17, the bill will need to provide for a recertification of state aid for such fiscal year.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:883	AM:	AGENCY/POLT. Department of Education	
REVIEWED BY: James Van Bruggen		DATE: 1/19/16	PHONE: 471-4179
COMMENTS: The Department of Education's estimate is fairly accurate; however, Fiscal Year 2016-2017 TEEOSA Certification has not been released. Changes to the estimate cost of how Foundation Aid is implemented within the bill could occur as data estimates become actuals.			

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

2016

LB⁽¹⁾ 883

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Department of Education

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 1/14/16

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	\$100,000,000		\$110,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$100,000,000</u>		<u>\$110,000,000</u>	

Explanation of Estimate:

Creating a foundation aid component and eliminating the minimum levy adjustment increases state aid to school districts which is offset slightly by a decrease in state aid due to the elimination of the System Averaging Adjustment. The hold harmless clause also adds about \$30 million for the first year. This bill will increase state aid to schools roughly \$100 million. The Foundation aid increase of \$452 million will have to be offset in reductions of property taxes leaving schools about \$352 million short of their current funding level for 2016/17.

For 2017-18 the foundation aid amount increases to \$2,000 per student causing the increase from 2016/17.

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.....			\$100,000,000	\$110,000,000
Capital improvements.....				
TOTAL.....			<u>\$100,000,000</u>	<u>\$110,000,000</u>