

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$35,000,000	
CASH FUNDS				
FEDERAL FUNDS				
Temporary School Fund	See Below		See Below	
TOTAL FUNDS			\$35,000,000	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 1057 is the Common Schools Facilities Equalization Act. The act will use the temporary school fund to provide assistance to school districts for debt service on school facility bonds. School districts may apply to the State Department of Education (NDE) for facilities aid for the ensuing fiscal year, beginning in 2008-09. Receipts from the temporary school fund (state apportionment) will no longer be a local resource for purposes of the state aid formula, beginning in 2009-10. School districts shall budget the aid receipts as non-property-tax receipts and deduct these prior to calculating a property tax request.

NDE is to compute an assistance factor for each eligible school district based upon a formula in the bill primarily based upon comparing a district's adjusted valuation per formula student to the highest district adjusted valuation in the state. The factor shall range from 0% to 50%. The factor is to be applied to each district's annual debt service payments for facilities to arrive at a preliminary aid amount. The aid amounts are then compared to the amount available from the temporary school fund and aid is prorated if necessary. Facility aid payments will begin in 2009-10 because the bill provides that no allocation of temporary school funds will be made in 2008-09. The estimated amount of facility aid to be distributed to schools in 2009-10 is \$31.5 million. Increased facility aid will reduce property tax collections of eligible schools by a like amount.

School districts will no longer receive state apportionment from the temporary school fund beginning in 2008-09. The estimated distribution in 2008-09 is \$31.5 million. Since state apportionment is still an accountable receipt in 2008-09, school districts will need to utilize property taxes to cover the loss of state revenue in 2008-09. Beginning in 2009-10 and thereafter, state apportionment is no longer an accountable receipt, so state aid will be increased to offset the loss of the local resource. It is estimated the fiscal impact for the state in terms of increased state aid will be \$35 million. School districts which are non-equalized for state aid purposes will experience an on-going loss in revenue for the general fund budget because state aid will not replace the loss of state apportionment.

NDE will have a minimal increase in expenditures to administer the act. It is assumed that any workload and expenditure increase can be handled with existing staff and resources of the department.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	William Scheidler	DATE	2/4/08	PHONE	471-2526
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COMMENTS

DEPARTMENT OF EDUCATION: Generally concur with Department of Education.

However, State Apportionment distributions in FY 2007-08 will be approximately \$35 million. Since roughly 10 percent of the amount is distributed to non-equalized school districts, the TEEOSA impact would be approximately \$31.5 million annually beginning in FY 2009-10.

Also, some school districts may see such a policy change as freeing up property tax capacity for additional General Fund operation spending. If so, some schools may accelerate General Fund operation spending (GFOE), leading to accelerated—although indeterminable—growth in TEEOSA formula need.