

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$10,451,543	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$10,451,543	

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

LB 358 changes the Tax Equity and Educational Opportunities Support Act (TEEOSA) beginning in FY2020-21.

Early Childhood Membership: The bill changes the calculation of qualified early childhood education membership for purposes of the formula. Currently, early childhood membership is calculated based upon 60% of the students who are enrolled in an approved early childhood education grant program and who are eligible to attend kindergarten in the following school year. The bill changes the percentage to 80% of the early childhood membership.

Early Childhood Education Allowance: The bill includes an early childhood education allowance in the school aid formula. The allowance equals the qualified early childhood fall membership times the statewide average general fund operating expenditures per formula student. The amount of the early childhood education allowance is included in formula needs. An allowance in the formula attributes expenditures for a specific purpose, in this case, early childhood education, to school districts incurring the expenditure. This reduces the amount of basic funding available in the formula which impacts school districts in the same comparison group.

Early Childhood Transportation Costs: LB 358 also includes transportation costs for early childhood education. The costs are equal to the miles included in the current transportation allowance that were traveled to transport early childhood education students taken times 400% of the mileage rate established by the Department of Administrative Services plus in lieu of transportation expenditures paid exclusively to transport early childhood education students.

Early Childhood Education Aid: Fifty percent of the sum of the early childhood education allowance plus early childhood education transportation costs as calculated pursuant to the bill are to be paid to school districts as early childhood aid. The amount of early childhood education aid is included as a local resource in the formula.

Fiscal Impact: The use of a higher membership percentage for early childhood education students and the inclusion of an early childhood education allowance increases formula need for districts with early childhood education programs and reduces basic funding per student for school districts in a comparison group with districts having early childhood education programs. The change in formula needs for a district will depend upon the amount of the early childhood allowance versus the change in basic funding. Some school districts with early childhood education programs may see an increase in aid. Others with early childhood programs may see a decrease, if the change in basic funding is greater than the allowance.

The early childhood aid provisions of the bill increase aid through the formula only for non-equalized school districts because the early childhood aid is recognized as a resource state aid purposes. The State Department of Education estimates the changes to the formula pursuant to the bill will result in an increase of \$10,451,543 of general funds needed for TEEOSA aid beginning in FY2020-21.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	358	AM:	AGENCY/POLT. SUB: Dept. of Education	
REVIEWED BY:	Gary Bush	DATE:	01/29/19	PHONE: (402) 471-4161
COMMENTS: The estimate provided by the agency appears to be reasonable given the assumptions provided.				

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

2019

LB⁽¹⁾ 358

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Education

Prepared by: ⁽³⁾ Jen Utemark Date Prepared: ⁽⁴⁾ 1/23/19 Phone: ⁽⁵⁾ 402-471-3323

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$10,451,543	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$10,451,543	

Explanation of Estimate:

LB 358 changes the Tax Equity and Educational Opportunities Support Act (TEEOA) beginning in FY2020-21.

Early Childhood Membership: This bill modifies the rate at which qualified early childhood education students are included in membership for the calculation of formula students in the funding formula to 80%. Under current statute, the early childhood membership is calculated based upon 60% of the students who are enrolled in a qualified grant funded early childhood education program or approved early childhood education program.

Early Childhood Education Allowance: Provisions also provide for an early childhood education allowance to be included in the formula needs of the school aid formula. Allowances are an amount based on estimated or actual expenses for a specified situation, per this bill, early childhood education expenses incurred, which is subtracted prior to the calculation of the historical averages, but added back later to calculate the need for an individual district. The allowance is the product of the statewide average general fund operating expenditure per formula student times the qualified early childhood fall membership. This reduces the amount of basic funding available in the formula which impacts the school district incurring the expenditure (receiving the allowance) as well as the school districts in the same comparison group.

Early Childhood Transportation Costs: Under current statute, the school aid formula calculates regular route miles for early childhood education student transportation equal to the miles that were traveled to transport early childhood education students taken times 400% of the mileage rate established by the Department of Administrative Services. This bill changes the calculation to include the lieu of transportation expenditures paid exclusively to transport early childhood education students.

Early Childhood Education Aid: The bill creates an early childhood education aid to be included as a local formula resource equal to fifty percent of the sum of the early childhood education allowance with the addition of the early childhood education transportation costs.

FISCAL IMPACT: If LB358 passes as introduced, formula students would increase and result in changes to many of the components which utilize the basic funding per formula student within their calculations. The increased measure of formula

students reduces the amount of basic funding available in the formula, which impacts school districts incurring the expenditure (receiving the allowance) as well as school districts in the same basic funding comparison group. In some cases, school districts receiving the early childhood allowance may see a larger decrease in basic funding than the allowance received due to the averaging design of basic funding. The reduced basic funding impacts and interplays with any component which includes basic funding per formula student as part of its calculation (averaging adjustment, student growth adjustment, two-year new school adjustment) for the formula needs calculation of TEEOSA. Equalized districts with early childhood education students may see growth from the new allowance while many if not all equalized school districts would share in a decreased basic funding. Some school districts receiving the new early childhood allowance receive a larger decrease in basic funding than what the new allowance would provide as an offset to the loss in formula needs. The early childhood allowance increases formula needs by \$5 million, but is further reduced to a \$3 million increase related to reduced formula need adjustments produced by a minimized basic funding per formula student. Needs stabilization does not completely restore the loss in formula needs because of the needs shift or changing landscape of distribution. Non-equalized districts may see increased funding by cause of more resources being made available through TEEOSA funding or experience decreased funding as a result of reduced net option funding (calculated based on reduced basic funding per formula student) being greater than the newly established early childhood education aid provided. The community achievement plan allowance and aid would decrease its funding limits by reacting to the reduced statewide average general fund operating expenditures per formula student result being larger than the increased Learning Community formula student impact within the component calculation. Inclusion of the in lieu of transportation expenditures paid exclusively to transport early child education students cannot be determined at this time.

The State Department of Education estimates the changes to the formula pursuant to the bill will result in an increase of \$10,451,543 of general funds needed for TEEOSA aid beginning in FY2020-21.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits				
Operating				
Travel				
Capital outlay				
Aid				\$10,451,543
Capital improvements				
TOTAL				\$10,451,543