

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	\$63,908,028		\$79,290,177	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$63,908,028		\$79,290,177	

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

LB 346 changes the aid reimbursement for special education programs. Special education and support services are reimbursed based upon allowable excess costs on a year in arrears basis. The State Department of Education (NDE) indicates the state is currently reimbursing about 46% of the allowable excess costs of special education programs in the current year.

The bill increases the reimbursement rate beginning in FY2019-20. The rate of reimbursement is increased to: 60% in FY2019-20 and FY2020-21; 70% in FY2021-22 and FY2022-23; and, 80% in FY2022-23 and each year thereafter. The bill also eliminates the current 10% cap on the amount of increase in special education reimbursement each year.

Special Education Aid: NDE estimated the fiscal impact of the bill based upon reported excess allowable costs for FY2017-18. The reported costs for special education programs were inflated by 5.45% each year and the reported costs for transportation services were inflated by 4.56% each year to arrive at estimated allowable excess costs in FY19 and FY20. The inflationary increases represent the average increase in the most recent three years.

The calculations by NDE appear reasonable. The estimated amount of general funds needed to fund 60% of excess allowable costs in FY20 is \$476.9 million and in FY21 is \$502.5 million. The current general fund appropriation for special education reimbursement is \$226.5 million, so the estimated fiscal impact of reimbursing 60% of excess allowable costs is \$63.9 million in FY2019-20 and \$79.3 million in FY 2020-21. The table below shows the estimated fiscal impact as calculated by NDE in the following years based upon the phase-in of an increased reimbursement percentage.

	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
	Actual	Est.	Est.	Est.	Est.	Est.
	Paid in FY19	Paid in FY20	Paid in FY21	Paid in FY22	Paid in FY23	Paid in FY24
Special Education:						
Programs	414,509,966	437,100,759	460,922,751	486,043,040	512,532,386	540,465,401
Transportation	38,065,195	39,800,967	41,615,891	43,513,576	45,497,795	47,572,495
Total SPED Prog. & Transp.*	452,575,161	476,901,726	502,538,642	529,556,616	558,030,181	588,037,896
Reimbursement % Per LB 346		60%	60%	70%	70%	80%
Total SPED Prog. & Transp.		286,141,036	301,523,185	370,689,631	390,621,127	470,430,317
Plus: Aid for Residential Settings		4,293,577	4,293,577	4,293,577	4,293,577	4,293,577
Total SPED Aid Per LB 346		290,434,613	305,816,762	374,983,208	394,914,704	474,723,894
Less: FY19 Aid Appropriation		(226,526,585)	(226,526,585)	(226,526,585)	(226,526,585)	(226,526,585)
LB 346 SPED Aid Fiscal Impact		\$63,908,028	\$79,290,177	\$148,456,623	\$168,388,119	\$248,197,309

*Estimated reimbursement percentage of 46%

It is important to note there is a maintenance of effort provision relative to special education funding, so the amount of general funds appropriated in any fiscal year must be maintained in the next fiscal year in order to continue to receive federal IDEA funds.

Special Education Aid Impact in the TEEOSA Formula: The increase in special education aid also increases the special receipts allowance in the TEEOSA formula and local formula resources beginning in FY2020-21, two years after the increase in state aid occurs. The impact will be a reduction in equalization aid in the formula due to increased local resources from special education aid. The net estimated fiscal impact of the bill after the change in the TEEOSA formula becomes operative is as shown in the following table. The change in aid does not reflect the impact of the increase in the special receipts allowance. This change in aid is unknown, but not projected to be significant beginning in FY22.

		FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
Special Education Aid Increase		63,908,028	79,290,177	148,456,623	168,388,119	248,197,309
SPED as a Local Resource for TEEOSA				-47,727,628	-59,107,428	-109,814,855
Net Fiscal Impact of LB 346				\$100,728,995	\$109,280,691	\$138,382,454

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 346 (Revised) AM: AGENCY/POLT. SUB: Department of Education

REVIEWED BY: Gary Bush DATE: 02/15/19 PHONE: (402) 471-4161

COMMENTS: The estimate provided by the agency for the additional costs for the provisions outlined in the bill appear to be reasonable given the assumptions used in the calculations.

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2019

LB⁽¹⁾ 346 REVISED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Education

Prepared by: ⁽³⁾ Prochazka Date Prepared: ⁽⁴⁾ 1/18/19 Phone: ⁽⁵⁾ 471-4314

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$63,908,028</u>	<u> </u>	<u>\$79,290,178</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$63,908,028</u>	<u> </u>	<u>\$79,290,178</u>	<u> </u>

Explanation of Estimate: No Fiscal Impact on NDE and/or Political Subdivisions.

Projected reimbursement @ 60% in excess of 2018-19 Special Education appropriation.
 Projection based on school district reported special education excess allowable costs for State General Funded special education programs and support services reported costs for the 2017-18 school year with historical program growth.

Projected reimbursement @ 70% in excess of projected 2020-21 Special Education appropriation:

- FY2021-22; \$69,166,447
- FY2022-23; \$89,097,942

Projected reimbursement @ 80% in excess of projected 2022-23 Special Education appropriation:

- FY2023-24; \$79,809,190

Increase to State General Funded Special Education reimbursement, increases the dollar amount necessary to comply with IDEA Maintenance of State Financial Support (MFS).

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.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Travel.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aid.....	<u> </u>	<u> </u>	<u>\$63,908,028</u>	<u>\$79,290,178</u>
Capital improvements.....	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u>\$63,908,028</u>	<u>\$79,290,178</u>