

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			See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 674 changes the Tax Equity and Educational Opportunities Support Act (TEEOSA) which provides state aid to education. The bill changes the base limitation rate in the formula beginning in FY2020-21 and each year thereafter.

Base Limitation/Cost Growth Factor: The base limitation rate or allowable growth rate in the aid formula is changed to be the inflation rate certified by the Tax Commissioner for the school year plus the student growth rate certified by the State Department of Education.

Inflation Rate: On or before November 1, 2019 and each year thereafter, the Tax Commissioner shall certify the inflation rate for the next school year. The rate shall equal the percent change from the most recent Consumer Price Index (CPI) as of August 31 of the year preceding the aid certification to the most recent CPI as of August 31 of the year in which the aid is to be certified.

Student Growth Rate: On or before December 1, 2019 and each year thereafter, the State Department of Education is to certify the student growth rate and the base limitation for the following school year. The student growth rate shall equal the percent change in fall membership from the preceding school year to the year for which the certification is being made. The student growth rate cannot be less than zero.

Fiscal Impact: A change in the base limitation rate changes the cost growth factor in the formula which is used to inflate two year old school district expenditures for purposes of calculating aid. The base limitation rate per current law is 2.5% which equates to a 5% allowable growth rate for FY2020-21 and thereafter.

The fiscal impact of the bill depends upon if the CPI inflation rate plus the student growth rate is higher or lower than the 2.5% base limitation rate currently in law. If the base limitation rate increases pursuant to bill, then state aid to schools will increase. If the base limitation rate decreases, then state aid to schools will be reduced. A fiscal impact cannot be determined because the change in the CPI and student membership growth in the future is unknown.

It is assumed the Tax Commissioner and the State Department of Education can handle any administrative responsibilities pursuant to the bill with existing staff and resources.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	674	AM:	AGENCY/POLT. SUB: Department of Education	
REVIEWED BY:	Gary Bush	DATE:	02/26/19	PHONE: (402) 471-4161
COMMENTS: Unable to provide comment on the fiscal impact at the agency did not provide an estimate. If the inflation rate determined as outlined in LB674 is less than the 2.5% currently set in state law than the assumed costs would be less and would reduce the "Needs" side of the state aid formula. Additionally, the bill would not allow the growth rate to go below 0% even if student enrollment is declining for a district thus providing a "hold harmless" to districts who experience declining enrollment.				

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

2019

LB⁽¹⁾ 674

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/28/19 Phone: ⁽⁵⁾ 402-471-4320

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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB 674 changes the base limitation rate to an inflation rate plus a student growth rate starting with school fiscal year 2020-21.

The base limitation is used to grow two year old spending numbers from the annual financial report which are used in the calculation of TEEOSA. The base limitation is also used to calculate budget authority which determines how much a school district can spend out of their General fund.

NDE will be required to certify a student growth rate and the base limitation on or before December 1st each year starting in 2019.

The fiscal impact cannot be determined at this time since the inflation numbers are not available yet and the student growth rate won't be determined until next fall. No fiscal impact to NDE.

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.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____