

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			See Below	

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

LB 873 changes the computation of formula needs in the state aid formula (TEEOSA) beginning in 2009-10. The bill provides for a student growth adjustment. A school district may apply to the State Department of Education for a student growth adjustment on or before October 15 of the school year immediately preceding the school fiscal year for which aid is calculated. The adjustment shall equal statewide average general fund operating expenditures (GFOE) per formula student times the district's projected formula students for the fiscal year minus the formula students used in the calculation of state aid. Beginning in 2011-12, a student growth correction occurs if actual students were less than projected students used to calculate the adjustment. Only school districts which project 25 or more formula students greater than the number used in the calculation of aid are eligible for the adjustment.

The intent of LB 873 is to reflect student growth in the year in which it occurs by allowing school districts experiencing enrollment growth to project that growth and have that it reflected in current year state aid payments. There was a 5,147 statewide growth in students, in districts exceeding an increase of 25 or more students, from the fall of 2006 to the fall of 2007. The net statewide growth in the same time period was 3,400 students.

If school districts had accurately projected the growth rate and requested a student growth adjustment as allowed by the bill, state aid would have increased by \$43.8 million (5,147 students x \$8,504 statewide average GFOE per formula student). The estimated increase in state aid is probably overstated by about a third for future fiscal years because 35% of the student growth from 2006 to 2007 was in pre-kindergarten students. It is anticipated the growth in this population will level off in the next year or so. The actual increase in state aid each fiscal year will depend upon the projected growth in students. A correction in state aid will be made two years later, if districts do not accurately project student growth.

The state aid formula currently reflects enrollment growth through the application of a cost growth factor to the cost grouping cost. In the most recent certification of state aid for 2008-09, enrollment growth increased the cost growth factor by .8% which increased state aid by about \$18.9 million. An increase in cost grouping cost increases state aid on a formula student basis to all of the school districts in the cost grouping, not just to those districts with enrollment increases. The enrollment growth currently recognized in the cost growth factor component of the formula is net enrollment growth. The bill does not change the computation of the cost growth factor, so school districts will in effect count student growth in the year it occurs and the following year through the enrollment growth component of the cost growth factor.