

Revised on 4/4/08 to reflect amendments adopted through 4/1/08.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$7,650			
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$7,650			

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

LB 1154 pertains to learning communities. Section 8 changes the requirements for transportation of students in a learning community. Free transportation is to be provided to a student contributing to the socioeconomic diversity of enrollment who is attending another school in the learning community, only if the student lives more than one mile from the school to which he or she transfers. The change may result in a minimal decrease in transportation expenses for affected school districts.

Section 9 redefines focus programs, focus schools, magnet schools and pathways. It appears the bill clarifies that school districts may establish one or more focus schools or programs or magnet schools. There appears to be no fiscal impact for these provisions.

Section 10 allows a school district to exceed its applicable allowable growth rate for expenditures to pay another school district for the transfer of land from such other school district to the district seeking to exceed its applicable allowable growth rate. Any increased spending pursuant to this provision will increase state aid, two years later.

Schools are also allowed to exceed the allowable growth rate by the amount of estimated increased expenditures above that of the second preceding school year for telecommunication services and access to and transmission of data on networks in the first two years that a district participates in Network Nebraska, or in 2008-09, if the district participated in 2007-08.

The annual amount of the budget exception is unknown and depends upon increased telecommunications expenses of the school districts joining the Network each year. There is a distance education and telecommunications allowance in the TEEOSA formula. The allowance for the 2008-09 certification of state aid totals \$3,785,000. The allowance is 85% of the expenditures for distance education less receipts from the Universal Service Fee Fund. If the bill had been in effect for 2007-08, then no more than \$4.5 million could have been excluded from the budget lid pursuant to the bill, based upon the allowance. This estimate is assumed to be high because the allowance includes telecommunications expenses for all school districts, not just the districts that are initially participating in the Network. The allowance also does not reflect the net increase in expenditures. The amount of spending excluded from the lid by eligible school districts will increase the amount of state aid paid two years later.

Section 11 changes the allocation of property tax receipts from the common levy to school districts in a learning community during the first three years the learning community levies a common levy. Current law requires that property tax receipts be divided among school districts in the learning community proportionally based on a school district's need in the state aid formula, less state aid and other actual receipts. The bill provides for a proportional distribution based on the greater of: the aforementioned method of allocating resources; or, the state aid received in the year prior to the first year a common levy is imposed, plus the yield from the district's general fund levy times the assessed valuation for the school year of distribution, minus state aid for such school year. These changes will have an unknown fiscal impact in terms of changes in tax receipts for individual school districts within a learning community in 2009-10, 2010-11 and 2011-12. A change in local receipts for school districts in the learning community will also have an unknown impact on the amount of state aid provided to individual districts during the three year period.

Section 17 requires the Secretary of State to schedule and host the first three monthly meetings of a newly elected learning community coordinating council beginning in January following the election of such council. The bill does not specify which entity shall bear the cost of the first three monthly meetings. If the intent is to have the Secretary of State pay for meeting costs, the estimated one-time fiscal impact is \$7,650 of general funds. If the intent is to have the learning community coordinating council pay for the costs, there will be no fiscal impact for the state.

Section 18 removes the requirement for a learning community coordinating council to pay for mediation services. The change may reduce the expenditures of learning communities for such services.

Section 19 establishes a new advisory committee to the learning community coordinating council consisting of the superintendent of each member district or a designated representative. The advisory committee is required to meet at least four times per year. It is assumed there will be a minimal increase in annual expenditures for the learning community to pay for meetings of the advisory committee.

Section 24 provides that learning communities may use state funds distributed pursuant to section 79-2103 for up to six social workers through the elementary learning centers. The provision does not increase the amount of state aid provided to learning communities but may change the allocation of the funds.

LB 1154, as amended, includes the provisions of **LB 1081** in Section 2 which provide for an educational service unit to exceed its budget limitation by an amount that will allow it to spend up to 110% of the needs calculated for the ESU pursuant to the distribution of aid for core services and technology infrastructure. It is difficult to determine a fiscal impact because future budgets of ESU's and needs of ESU's in the state aid calculation are unknown. Using data for the current year, it is projected the bill will allow over half of the seventeen ESU's to exceed their budget lid in order to spend up to 110% of needs. It is estimated the amount of additional property taxes that could be levied by ESU's in the current year would be about \$4.5 million statewide. The actual increase in taxes levied beginning in 2008-09 could vary considerably from this estimate depending upon the growth in budgets, valuation growth and the initial calculation of needs for ESU's in the aid formula.

Section 7 includes the provisions of **LB 1021** which add two new categories of eligibility for students to be qualified for the option enrollment program. A student may be enrolled in the option program if enrollment allows a student to continue current enrollment in a school district, or if enrollment allows a student to attend a district the student was previously attending as a resident student.

The changes may increase the number of students in the option enrollment program. It is assumed any increase in students will be minimal. An increase in the number of option students increases the amount of net option funding received by a school district, but does not change the overall amount of state aid distributed.

Section 14 contains the provisions of **LB 605** which provide that beginning in 2013-14, only educational service units having two or more member school districts may levy a property tax and receive state aid for core services and technology infrastructure. There are currently two ESU's, #18 in Lincoln and #19 in Omaha, which have only one member school district.

It is unknown how the change will impact individual ESU's. It is assumed there will be a reconfiguration of school districts belonging to ESU's in Omaha and Lincoln and the surrounding areas in order to retain the resource base for the ESU's. The two ESU's directly impacted by the bill levied a total of \$5 million of property taxes in 2007-08. If the ESU's reorganize with different member districts, there likely will be a shift in resources and expenditures between ESU's of an unknown amount depending upon member school districts.

ESU's #18 and #19 received \$2.7 million of state aid for core services and technology infrastructure in the current year. Assuming use of the current formula for aid distribution to ESU's, the change is cost neutral in terms of the overall amount of state aid allocated to ESU's in the future. However, the amount of aid allocated to individual ESU's will change if ESU's reorganize with different member districts or if ESU's #18 and #19 cease to be eligible for state aid.

Section 15 includes portions of **LB 1083**. The section changes the allocation of state aid for ESU's and provides for learning communities to receive a portion of the ESU aid distribution. Learning communities will be eligible for a student allocation in the ESU distribution formula. The number of adjusted students used in the formula for ESU's will be changed to include 50% of the membership of school districts that are in a learning community rather than 100%. The other 50% of the membership will be used to calculate a student allocation for a learning community. The learning community need computation will not include a distance education and telecommunications allowance, base allocation, or allocation for satellite offices, as is the case for ESU's. The 95% hold-harmless does not apply to ESU's which have districts that are members of a learning community.

The total amount of state aid allocated for ESU's pursuant to the bill is unchanged, but there will be a change in the amount of state aid for individual ESU's and a portion of the aid to ESU's will be provided to learning communities beginning in 2009-10. There are currently two ESU's which will have districts belonging to a learning community in 2009-10. Ten districts belonging to ESU #3 and the single district in ESU #19 will become part of a learning community. An estimate using 2007 data shows about \$1.5 million of aid to ESU's being shifted to the learning community.

LB 1154 contains the provisions of **LB 1158** in sections 27 and 28 which amend sections of law governing the Job Training Cash Fund in the Department of Economic Development. These sections provide that a business applying for a job training grant may partner with a learning community coordinating council or school district and at least one private, nonprofit organization whose purpose is to provide basic job and life skills training to individuals in high poverty areas. Grants meeting this criterion would also be subject to different per-job expenditure limitations. The department could approve grants up to \$10,000 per job created if the proposed wage levels do not exceed \$30,000 and up to \$15,000 per job if the proposed wage levels exceed \$30,000. Actual expenditures from the Job Training Cash Fund will depend upon the number of qualifying grant applications that are received and approved by the department. It is estimated that the existing balance of the Job Training Cash Fund will be sufficient to meet any additional demands on the fund that may occur as a result of LB 1154.