

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$902,745		\$547,882	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$902,745		\$547,882	

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

LB 1152 changes the computation of formula need in the state aid formula (TEEOSA) beginning in 2009-10. The bill removes special education from the special receipts allowance in the formula and creates a new separate special education allowance. The new allowance equals 85% of the excess costs of school districts for special education. Allowable special education costs and excess costs are redefined in the bill for purposes of state reimbursement of aid for special education programs. The bill provides that up to 5% of the rate approved by the State Department of Education (NDE) for service agencies may account for facility and overhead costs. School districts are required to pay service agencies the approved rate for services rather than the average per pupil cost, or they may pay an agreed upon cost. The following provisions have a fiscal impact for the state and/or school districts:

Special education allowance: Currently, the special receipts allowance in the state aid formula allows school districts with special education expenditures to include expenditures equal to the amount of aid provided to a district through the categorical aid program for special education, as an allowance. The state is currently reimbursing about 61% of allowable excess costs through the categorical special education aid program. An allowance enables expenditures for specific programs (special education, etc.) to be attributed to the school district actually providing the program rather than have expenditures spread out amongst all districts in a cost grouping.

The change in the bill allows districts to have a special education allowance in the formula equal to 85%, rather than the current 61%, of allowable excess costs. The change will shift state aid between school districts. Schools with higher special education expenditures will receive a higher allowance in the state aid formula. The higher allowance will decrease the amount of aid allocated to all school districts via the cost group cost. Based upon the 2008-09 certification of state aid, it is estimated there will be a \$5.8 million shift of state aid between districts. Approximately \$5.4 million of aid will shift to school districts that have higher special education costs. Districts that do not provide a great amount of special education will lose \$5.8 million and due to the impact of non-equalization districts in the formula, the state will save \$.4 million. This estimate does not take into account the redefinition of excess cost described below.

Redefinition of Excess Cost: The bill changes the definition of excess cost from being based upon the number of students in a special education program to being based upon the time that a special education student spends in the regular classroom. The change in definition will have a fiscal impact for schools in terms of the amount of categorical state aid received by a district as well as the amount of the special education allowance.

The change in calculation of excess cost should benefit districts providing special education programs which are inclusionary, where a child spends more than 25% of the day in the regular classroom. Information is not available to estimate a fiscal impact for the change in definition. It is assumed the change will increase the amount of excess costs claimed by school districts in 2008-09. Excess costs are reimbursed on a year in arrears basis. Since the annual increase in the amount of categorical state aid provided for special education is capped at 5%, the change is not projected to result in an increase in general funds appropriated for special education aid. However, the distribution of categorical aid will shift between school districts beginning in 2009-10, based on the change in the excess cost calculation beginning in 2008-09.

Service Provider Rate Change: NDE annually establishes rates to be paid to providers who are providing educational programs for children with disabilities. The rates do not currently include provider facility costs. The bill requires that rates approved by NDE will include up to 5% for facility and overhead costs of a provider. The change will have a fiscal impact in terms of increased general funds for the education of state wards. The Department of Health and Human Services estimates a \$902,745 increase in payments for the education of state wards based upon assuming 85% of the budgeted expenditures for the wards aid program in 2008-09 are paid to service providers. It is assumed the rate change will go into effect beginning in 2008-09. The estimated impact for 2009-10 is increased by 5%.

Summary: The bill will shift state aid (TEEOSA) among school districts beginning in 2009-10 due to an increase in the special education allowance. The bill will also shift categorical state aid between districts beginning in 2009-10. Additional general funds will be expended beginning in 2008-09 to acknowledge facility and overhead costs in the calculation of service agency rates. The following chart shows the estimated general fund fiscal impact of the bill:

	<u>2008-09</u>	<u>2009-10</u>
Special Education Allowance	0	-400,000
Redefine Excess Costs	0	0
Service Provider Rate Change – Wards Education	<u>902,745</u>	<u>947,882</u>
General Fund Fiscal Impact	902,745	547,882