

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b>				
	<b>FY 2008-09</b>		<b>FY 2009-10</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 1083 pertains to educational service units (ESU's) and school districts which are members of a learning community. The bill allows school districts belonging to a learning community to opt out of an ESU by giving notice on or before March 1 of any year. The opt out will be effective on the following September 1st. Based upon these provisions, the earliest a school district could opt out of an ESU would be in 2009-10.

School districts which opt out are provided an increase in the maximum levy from \$1.05 to \$1.06, less the learning community levies. The learning community is also eligible to receive state aid for core services and technology infrastructure. The learning community is to allocate a portion (about 50%) of the state aid received to the school districts which opt out. A budget lid exception is allowed in the first year that a district opts out of ESU in the amount equal to the state aid received for core services and technology infrastructure and the amount received from the additional \$.01 levy. ESU's having school districts that are members of a learning community will lose state aid because the calculation of adjusted formula students in the aid distribution formula is changed. An ESU will only be able to count 50% of the membership of school districts in a learning community for state aid purposes.

There are currently two ESU's which will have districts belonging to a learning community, ESU's #3 and #19, in 2009-10. ESU #19 has only one school district that is a member, Omaha Public Schools. It is estimated ESU #19 will receive approximately \$1.95 million of state aid for core services and technology infrastructure in 2008-09. It is assumed the ESU will lose slightly less than half of its state aid because of the change in the calculation of adjusted formula students. However, it is assumed the district will not opt to discontinue the ESU because the loss of state aid will likely be less than the amount that would be lost if the taxing authority was reduced from \$.015 to \$.01.

Ten districts belonging to ESU #3 will be members of a learning community in 2009-10. These districts have the majority of the students served by the ESU. It is unknown which districts will opt out of the ESU pursuant to the bill. It is estimated that ESU #3 will receive approximately \$2.3 million of state aid for core services and technology infrastructure in 2008-09. The amount of state aid for the ESU will be reduced by an unknown amount pursuant to the bill. If all ten districts opt out of the ESU, it is assumed the ESU will lose the majority of its state aid. ESU #3 will have decreased expenditures to serve school districts opting out of the ESU and will also have decreased property tax revenue based upon the amount of valuation lost. The overall amount of property taxes levied may decrease by up to \$.005 in school districts which opt out of an ESU.

The total amount of state aid allocated for core services and technology infrastructure pursuant to the bill is unchanged. The bill will shift state aid between ESU's and provide a new source of state aid for learning communities and school districts in learning communities which opt out of an ESU. The budget lid exception will increase the amount of state aid provided to schools (TEEOSA) due to increased spending by schools pursuant to the \$.01 increase in the levy limit. The increase in state aid will occur two years after the lid exception is taken. The estimated increase in TEEOSA aid could be in excess of \$2 million, based on valuations of the ten districts belonging to a learning community in ESU #3, beginning in 2011-12.