

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$500,000 - \$1,400,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$500,000 - \$1,400,000	

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

LB 357 restores some of the provisions of LB 126 (2005) which were repealed by voters in November, 2006. Language allowing an elementary attendance center to be designated as a community school through the formation of an operating council is restored. The bill restores provisions of LB 126 prohibiting the closure of elementary attendance centers unless certain conditions are met. It also restores provisions allowing eligible Class II or Class III school districts to qualify for elementary improvement grants in 2008-09, 2009-10 and 2010-11.

Elementary Operating Councils: Operating councils for elementary attendance centers may be formed pursuant to the bill. The councils are advisory and have certain designated responsibilities. It is possible there may be an increase in expenditures for operating costs incurred by operating councils. Any increase in expenditures for those school districts with operating councils is projected to be minimal.

Attendance Site Closures: The bill reinstates protections provided for elementary attendance sites in LB 126. LB 357 provides that an elementary attendance center cannot be closed until students that were in kindergarten in 2005-06 complete the highest grade offered at the site, as long as the center has at least five resident students. After the initial protection expires, a 75% majority of a board may close an attendance center with at least ten resident students that is within four miles, but less than ten, of another elementary site in the district. Centers cannot be closed if there are at least ten resident students and the center is at least ten miles from another elementary site in the district, having ten students, or the center is the only attendance site within the boundaries of an incorporated city or village. No center may be closed if a student resides over twenty miles from the nearest attendance site.

Data compiled by NDE shows the attendance sites for 25% of the Class I districts, or 53 of the 215 Class I districts which were dissolved pursuant to LB 126, have closed in the 2006-07 school year. The remaining 162 former Class I districts have been reopened as an attendance center. It is assumed the bill will prevent the closing of some of the remaining 162 attendance centers in 2007-08 and thereafter which meet the criteria established in the bill. It is also assumed that school districts make the decision to close a school primarily for financial reasons. If so, the requirement to maintain attendance centers may result in higher spending by school districts than would have occurred in the absence of the requirements. Higher school spending translates into increased state aid (TEEOSA), two years after the spending occurs.

Elementary Improvement Grants: Class II and III school districts may also qualify for elementary improvement grants in 2008-09, 2009-10 and 2010-11, if certain criteria are met. Qualifying districts must have an approved bond issue for at least \$2 million to remodel or build a new elementary attendance center. The bond issue must be approved after June 15, 2007 and on or before June 14, 2008. The State Board of Education also must approve the project as being designed to improve the educational environment for students with diverse economic and cultural backgrounds.

Demographic factors for qualification in the bill currently limit the number eligible for the grants to 14 school districts. Each school approved for funding will receive up to a \$100,000 grant for a three year period beginning in 2008-09. It is estimated that a maximum of one-third of the eligible schools will receive elementary improvement grants, due to the requirement for a bond issuance of at least \$2 million. If so, then the general fund fiscal impact for grants will be \$500,000 for each of the three fiscal years. If all of the eligible schools qualify, the maximum fiscal impact for grants will be \$1.4 million in each of the three fiscal years. Elementary improvement grants are considered to be special grant funds for state aid purposes, so the grant amount will not impact the amount of TEEOSA aid received by an eligible district.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS			
NEBRASKA DEPARTMENT OF EDUCATION: Concur.			