LB 177

Revision: 00 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 202	24-25						
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	See below		See below					
CASH FUNDS	See below		See below					
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	See below		See below					

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB177 creates the My Student, My Choice Act, the Follow the Student Fund & the School Stabilization Fund.

The My Student, My Choice Act will give parents & legal guardians the right to educate their children in an environment that reflects their own values, the State of Nebraska will provide for the education of students attending kindergarten through twelfth grade who are legal residents of Nebraska in a way which protects that right, provided that the students are enrolled in a public or private school in Nebraska.

Each year the State Treasurer will use the information provided to transfer an amount equal to fifty-five percent of the adjusted average per pupil cost of the preceding year multiplied by the total number of enrolled students in the preceding year from the General Fund to the Follow the Student Fund. The State Treasurer will establish a separate student account for each enrolled student in the State of Nebraska. Each year the State Treasurer will equally distribute the money in the Follow the Student Fund into the student accounts. The student accounts will be made available for viewing by the enrolled student's parent or legal guardian, or by the enrolled student if he or she is nineteen years of age or older or an emancipated minor. The State Treasurer will deposit money into student accounts at the beginning of each semester. Unused funds which remain in a student account on August 1 of any year will be transferred to the Cash Reserve Fund.

Each school district may levy a property tax on the taxable property within the district sufficient to generate revenue equal to forty-five percent of the adjusted average per pupil cost of the preceding year multiplied by the total number of students enrolled in the district during that year to cover the operational costs of the school district for the ensuing school year, & may do so without holding a public hearing. This property tax will be known as the Common School Tax, & revenue generated from the tax will be used exclusively to fund the operational costs of the school district which levied the tax.

The State Treasurer will transfer money from the General Fund to the School Stabilization Fund each year in order to equalize funding to the public schools. The balance of the School Stabilization Fund will not exceed thirty-five percent of the balance of the Follow the Student Fund. If the balance of the School Stabilization Fund exceeds that amount, the State Treasurer will transfer the excess to the Cash Reserve Fund. Money in the School Stabilization Fund will be distributed according to the Tax Equity & Educational Opportunities Support Act (TEEOSA).

EXPENDITURES:

The State Treasurer estimates the need to hire one FTE for this biennium to oversee the administration of the program & possibly another FTE during FY2025-26 to be the auditor overseeing the newly created program & accounts. The new admin. FTE will have a salary & benefits expense of \$112,000 for FY2023-24 & \$117,600 for FY2024-25.

Adjusted average per pupil cost of the preceding year means the amount computed by dividing the total instructional expenditure, excluding special education expenditures, by the preceding year's average daily membership as reported in the annual financial report, so there could be an impact of the Tax Equity & Educational Opportunities Support Act (TEEOSA) calculation.

The fiscal impact can not be determined at this time due to the fact that it is not known how many families will be applying for the accounts being provided in LB177.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB:	177	AM:	AGENCY/POLT. SUB: Nebraska Department of Education					
REVIEWED BY: Gary Bush		Gary Bush	DATE:	1/18/23	PHONE: (402) 471-4161			
COMMENTS: Disagree with the Department of Education that a fiscal impact could not be determined.								

Section 6 of the bill requires parents of public school children to apply for funding. This creates an obligation of the state. For the FY2022-23 school year, there were 311,000 public school students. Assuming that 55% of the average per pupil costs equals \$1,000, over \$310 million would need to be transferred from the General Fund to fund the public school student accounts envisioned by the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB:	177	AM: AGENCY/POLT. SUB: Nebraska Depar		epartment of Revenue	
REVIE	WED BY:	Gary Bush	DATE:	1/18/23	PHONE: (402) 471-4161

COMMENTS: Disagree with the Department of Revenue that a fiscal impact could not be determined. Section 6 of the bill requires parents of public school children to apply for funding. This creates an obligation of the state. For the FY2022-23 school year, there were approximately 311,000 public school students. Assuming that 55% of the average per pupil costs equals \$1,000, over \$310 million would need to be transferred from the General Fund to fund the public school student accounts envisioned by the bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE						
LB: 177 (revised) AM:	AGENCY/POLT. SUB: Neb	raska State Treasurer				
REVIEWED BY: Gary Bush	DATE: 1/25/23	PHONE: (402) 471-4161				
COMMENTS: No basis to disagree with the estimate provide. Because the full impact of the bill is delayed, the costs to the state will likely be much higher than estimated by the agency.						

Please complete <u>ALL</u> (5) blanks in the first three lines.

LB ⁽¹⁾ 177			I	FISCAL NOTE
State Agency OR Political Subdivision Name: ⁽²⁾	NE Dept of Educa	tion		
Prepared by: ⁽³⁾ Bryce Wilson	Date Prepared: ⁽⁴⁾	1/13/23	Phone: ⁽⁵⁾	402-471-4320
ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL S	SUBDIVISI	ION
EV	2023-24		FY 2024-	-05
EXPENDITURES	<u>REVENUE</u>	EXPENDITUR	-	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

This bill requires the NDE to certify to the Governor, Chair of the Appropriation Committee and State Treasurer per pupil cost and the total number of students enrolled by September 1st of each year. Fiscal years and reporting timelines would need to be changed to be able to provide this data as required.

The Follow the Student Fund would be created and would be funded with 55% of the per pupil cost certified by NDE. The State Treasurer would then create student accounts for each student enrolled in the State of Nebraska. Parents would be required to apply by August 15th for the fall semester and January 15th for the spring semester for accounts. Each student account would be funded with 55% of the per pupil cost amount which could be used for several education related expenditures including tuition to schools attended. Parents would be required to make payments from these accounts to schools by September 5 and February 5th of each semester.

School districts may levy property taxes up to 45% of the per pupil cost amount certified by NDE for each year without holding a hearing. A district may access an additional 2.5% if they hold a hearing after ten days of public notification on their website.

Additionally, this bill creates the School Stabilization Fund which cannot exceed 35% of the balance of the Follow the Student Fund. This fund is to be distributed based on the current TEEOSA provisions.

Fiscal impact cannot be determined without knowing how many parents/students would apply for accounts.

BREAKI	<mark>DOWN BY MAJ</mark>	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
	NUMBER OF	POSITIONS	2023-24	2024-25
POSITION TITLE	23-24	<u>24-25</u>	EXPENDITURES	EXPENDITURES
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Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				

TOTAL			
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Fiscal Note 2023

State Agency Estimate							
State Agency Name: Department of Revenue Date Due LFO:							
Approved by: Glen White	03/16/2023	/2023 Phone: 471-5654					
	FY 202	3-2024	FY 2024	4-2025	FY 202	25-2026	
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds		\$ 0		\$0		Indeterminable	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds		\$ 0		\$0		Indeterminable	

LB 177 would establish the My Student, My Choice Act (Act).

Under this Act, the State would provide funds for each enrolled student to pay for specific educational expenses from attending kindergarten through twelfth grade. An application must be filed each year by the parent or legal guardian of a kindergarten through twelfth grade enrolled student, or the enrolled student, who is nineteen years of age or older or an emancipated minor, with the State Treasurer to receive the funds. The funds will only be provided for enrolled students who are Nebraska residents and who are enrolled in a public or private school located in this State.

The Act creates the Follow the Student Fund. The amount of funding for each student is computed using the formula in the Act. Each year the State Treasurer must transfer from the General Fund to the Follow the Student Fund an amount equal to 55% of the adjusted average per pupil cost of the preceding year, as provided under the Act, multiplied by the total number of enrolled students in the preceding year. The State Treasurer will equally distribute the amounts in the Follow the Student Fund to each enrolled student's account. Any money remaining in a student account on August 1 will be transferred to the Cash Reserve Fund.

Any amount of these funds that become part of an individual's federal adjusted gross income will be subject to Nebraska income tax. However, the amount of increase in individual income tax receipt is indeterminable.

Under the Act, each school district can levy a property tax that is equal to 45% of the adjusted average cost per pupil in the prior year times the number of total students enrolled in the school district in that year to cover operational cost for the coming school year without holding a public hearing. This tax is called the common school tax and the resulting revenues must be used to cover operational costs of the school district.

It is estimated that there will be no costs to DOR to implement this bill.

The operative date for this bill is August 1st, 2025.

Major Objects of Expenditure								
<u>Class Code</u>	Classification Title	23-24 <u>FTE</u>	24-25 <u>FTE</u>	25-26 <u>FTE</u>	23-24 <u>Expenditures</u>	24-25 <u>Expenditures</u>	25-26 Expenditures	
Benefits		•••••	•••••	•••••	¢0			
					\$0			
Capital Improvements								
					\$0			

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LB(1) 177 REV	ISED			FISCAL NOTE
State Agency OR Political	Subdivision Name: ⁽²⁾	State Treasurer		
Prepared by: ⁽³⁾ Jasor	n Walters	Date Prepared: ⁽⁴⁾	January 24, 2023 Phone: ⁽⁵⁾	402-471-2793
	ESTIMATE PROVI	DED BY STATE AGEN	ICY OR POLITICAL SUBDIVIS	SION
	EV (2023-24	FY 2024	1-05
	EXPENDITURES	<u>REVENUE</u>	EXPENDITURES	<u>REVENUE</u>
GENERAL FUNDS	112,000		117,600	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	112,000		117,600	

Explanation of Estimate:

There isn't enough information in this bill to determine the fiscal impact of expenditures and revenues to the State Treasurer's Office. There may be costs to issue the Smart Cards required in this bill, plus costs to create a record keeping system for individual student account balances. The bill doesn't address which fund (general, Treasury Management, etc.), will cover the admin expenses. If the fund isn't specified, I believe we're supposed to show the general fund. While it may require two (or more) FTE to carry out duties required in LB 177 (admin position and auditor position), this fiscal note includes cost for only admin position in FY 23-24 and FY 24-25. The auditor position wouldn't be hired until around the effective date of the bill, which is after then end of FY 24-25.

BREAK	DOWN BY MAJ	OR OBJECTS O	F EXPENDITURE	
Personal Services:				
POSITION TITLE	NUMBER OF <u>23-24</u>	F POSITIONS <u>24-25</u>	2023-24 <u>EXPENDITURES</u>	2024-25 <u>EXPENDITURES</u>
School Choice Admin staff	1	1	75,000	78,750
Benefits			37,000	38,850
Operating				
Travel	••••			
Capital outlay				
Aid	••••			
Capital improvements				
TOTAL			112,000	117,600