

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2007-08		FY 2008-09	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$11,700,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$11,700,000	

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

LB 691 changes the factors used to compute adjusted formula students in the state aid formula. The bill increases the weighting factors for full-day kindergarten, limited English proficiency, and poverty. It also allows a school district to exceed its allowable growth rate in 2008-09 as a result of changes in the formula student count due to increased weighting for full-day kindergarten, limited English proficiency and the poverty factors. The State Department of Education is to determine the amount by which a district may exceed its allowable growth rate pursuant to the bill.

It is assumed the changes in the weighting factors apply to state aid distributed beginning in 2008-09. The change in weighting factors will result in a \$54.2 million increase in aid for districts that benefit from the changes in the weighting factors and a \$42.5 million decrease in aid for other school districts. The change shifts funding between school districts depending upon how the changes in weighting impact the number of formula students calculated for each district. Schools that are eligible for equalization aid and offer full-day kindergarten or have high numbers of limited English or poverty students will tend to receive increased state aid pursuant to the bill and other school districts will receive decreased state aid. The net estimated increase in state aid pursuant to the change in weighting is \$8.4 million in 2008-09. An increase in aid occurs because "need" is shifted from non-equalized districts to equalized districts. An additional \$3.3 million increase in aid is projected due to the provision in LB 1024 (2006) which fixes "need" at least at the prior year's level, if a district levies \$.99 or more. The total projected increase in aid is \$11.7 million beginning in 2008-09.

The exclusion of increased spending as a result of changes in the adjusted formula student count from the spending lid will allow school systems to levy additional property taxes, within the existing levy limit. Any increase in spending will increase "need" in the state aid formula which will result in additional state aid being paid two years after the spending increase is initiated. It is assumed the bill could increase state aid paid to schools by up to \$54.2 million in 2010-11, based upon calculations of the changes in the weighting factors. The actual amount will depend upon decisions by local school boards to exceed allowable growth rates by the amount spent as a result of changes in the factors, and the ability of districts to do so within levy limits.

The State Department of Education will have a minimal increase in expenditures in 2007-08 to revise a rule. It is assumed the resources of the department are sufficient to handle the rule revision.