

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2009-10		FY 2010-11	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
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 364 changes the Tax Equity and Educational Opportunities Support Act beginning with state aid calculated for 2010-11. The bill excludes expenditures by a school district to certificated employees for voluntary termination agreements occurring prior to July 1, 2009 from the calculation of general fund operating expenditures in the state aid formula. These expenditures are also excluded from the general fund budget limit.

The Annual Financial Report for School Districts shows over \$12.7 million of expenditures for voluntary termination agreements in 2007-08. It is assumed that at least 75% of the expenditures are for certificated staff. If so, then approximately \$9.5 million of expenditures would be excluded from general fund operating expenses. A decrease in general fund operating expenses will likely decrease state aid for school districts with voluntary termination agreements and the other ten school districts in their basic funding group. However, the stabilization factor in the formula could offset some of the decrease.

LB 988 (2007) eliminated exclusions from the budget lid for expenditures made for voluntary termination agreements. The bill restores these exclusions for termination agreements occurring prior to July 1, 2009. The State Department of Education indicates that school districts budgeted \$30.7 million of exclusions for voluntary termination agreements in 2007-08. It is possible the restoration of the exclusion will allow some school districts to spend more than would have been spent in the absence of the exclusion. However, a fiscal impact for school districts cannot be projected.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS					
DEPT. OF EDUCATION – Appears to be a one-time “early retirement buyout” option for school districts. Under LB 364, voluntary termination agreements with certificated employees that occur before July 1, 2009 are exempt from the expenditure lid in FY 2009-10 and beyond. At the same time, any payments made under LB 364 are subtracted from GFOE (General Fund operating expenditures) lowering formula need and reducing state aid for equalized schools two years hence. Therefore school districts will probably limit such agreements to instances where suitable replacements can be hired while generating savings that at least offsets the cost of any such agreements.					