

Revised on 5/3/07 based on amendments adopted through 5/1/07.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

| <b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *</b> |                     |                |                     |                |
|---|---------------------|----------------|---------------------|----------------|
|   | <b>FY 2007-08</b>   |                | <b>FY 2008-09</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 658 provides for the creation of new Class I school districts. Class I districts may be created pursuant to a plan submitted by an individual or group of individuals. The plan is required to meet specific criteria and must be filed with the school board of the affected Class II, III, or IV school district and the State Committee for the Reorganization of School Districts. If approved by the State Committee, the plan is voted upon at the next statewide primary or general election if 10% or more of the registered voters in the affected Class II, III, or IV school district and 50% of registered voters of the proposed Class I sign a petition. An appeal may be made to the State Board of Education if the plan is denied by the State Reorganization Committee.

If the plan is adopted by the voters, then the new Class I school district is established. The earliest school year that a new Class I district may be established pursuant to the bill is 2008-09. A newly established Class I is to be affiliated with the affected Class II, III or IV school district. Residents of the Class I district are deemed to be residents of the affiliated Class II, III or IV school district for purposes of taxation. The State Department of Education (NDE) is to recognize the affiliated Class I as part of a local system for state aid, budgeting, accreditation, enrollment, state programs and reporting. The local system is to have a single collective-bargaining agreement covering all teachers in the local system. The bill provides for the establishment of budget authority for a Class I district and a general fund budget of expenditures.

The bill creates a remote elementary allowance in the state aid formula beginning in 2008-09 for school districts. A qualifying center is an elementary site in a district with multiple elementary schools which does not have another elementary school within seven miles in the district or is located in a separate incorporated city or village from other elementary sites in the district. The qualifying centers also may not be the elementary school with the greatest number of formula students in the district. The remote elementary allowance for schools in the standard cost grouping will be equal to formula students in the qualifying attendance center multiplied by 50% of the statewide average general fund operating expenditures per formula student. The allowance for schools in the sparse or very sparse cost groupings equals formula students in the qualifying attendance center multiplied by 25% of the statewide average general fund operating expenditures per formula student.

The remote elementary allowance will not change the overall amount of state aid allocated, but will alter the distribution of aid among school districts. The allowance enables expenditures for remote attendance centers to be attributed to the school district having a qualified remote attendance center rather than have the expenditures for such attendance centers spread out amongst all districts in the cost group. The allowance will lower the cost group cost per student in the formula which will reduce aid for schools that do not have qualified centers. It is possible the allowance may result in a slight increase in state aid of an unknown amount pursuant to the hold-harmless provision in the aid formula for school districts levying at least \$.99.

The bill also repeals all provisions pertaining to Class VI school districts. The repeal of these provisions has no fiscal impact because there are currently no Class VI school districts in the state.

Data compiled by NDE shows that 25%, or 53 of the 215 Class I attendance sites which were dissolved pursuant to LB 126 (2005), have closed in the 2006-07 school year. The remaining 162 former Class I districts have been reopened as an attendance center. It is possible some of the 162 former Class I districts may be reestablished pursuant to the bill and other new Class I districts may be created. This fiscal note projects a small number of Class I's will be formed pursuant to the bill primarily because the former Class I's will have been out of existence for at least two years. It is possible a school district with declining membership may reorganize as a Class I in the future pursuant to the bill. Any reorganizations pursuant to the bill will impact the revenues and expenditures of affected school districts.

NDE may have a minimal increase in expenditures if additional meetings of the State Committee for the Reorganization of School Districts are required pursuant to the bill. It is assumed NDE can handle any increase in expenditures with its existing budgetary resources.