

Revised on 5/22/07 based on amendments adopted through 5/21/07.

**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			\$500,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>			\$500,000	

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

LB 641 pertains to learning communities. A learning community is a political subdivision which shares the territory of member school districts and is governed by a learning community coordinating council. The bill repeals current provisions establishing a learning community in a metropolitan class city and requires that such learning community become effective in January, 2009. The learning community will be authorized to levy property taxes beginning in school year 2009-10. The following provisions of the bill will have a fiscal impact for the state and/or school districts.

Division of Class V School District: LB 641 repeals provisions of LB 1024 (2006) requiring the learning community coordinating council to submit a plan to divide the Class V district in the learning community into new Class V districts with two or three high school buildings in each new Class V district. The repeal means the resources and expenditures of the Class V district will not be impacted due to a breakup of the school district in 2008-09.

Levies: Current law authorizes a common levy for learning communities of up to \$1.02, or 110% of formula needs minus state aid and accountable receipts, for the general fund budgets of member school districts beginning in 2008-09. Member school districts may also levy up to \$1.02, minus the learning community common levy, for the district's general fund budget and special building fund purposes. Learning communities may also levy up to \$.02 for special building funds for member districts and up to \$.01 for the learning community budget and projects approved by the learning community coordinating council. The total levy authority is \$1.05 for the learning community and member school districts.

LB 641 changes levy provisions for learning communities to provide a \$.95 common levy for the general fund budgets of member school districts beginning in 2009-10. Proceeds from the common levy are allocated among member districts proportionately based on 100% of a district's formula need less state aid and other actual receipts. The bill retains authority for a learning community to levy \$.02 for special building funds. School districts within a learning community may levy an additional amount, in excess of the amount levied by the learning community for the common levy and special building fund levy, up to a maximum levy amount of \$1.05. The overall total levy authority for the learning community and member districts is unchanged but tax proceeds for member school districts and the learning community will be allocated differently. It is unknown how the levy changes will impact the resources of individual school districts.

LB 641 requires a new learning community, on or before July 1 after it is created, to establish at least one elementary learning center for each 25 elementary schools in which at least 35% of the children attending the schools qualify for free or reduced price lunches. The bill allows learning communities to levy an additional \$.05 to purchase, construct or remodel elementary learning center facilities and up to 50% of the cost of certain capital projects. Capital projects may include focus schools or programs or schools or programs what will attract a more economically and culturally diverse student body. It is estimated the additional \$.05 of levy authority, if utilized, will generate approximately \$21.2 million for facilities, based upon estimated 2007 property valuations. The number of elementary learning centers which will be established pursuant to the bill is unknown.

State Aid (TEEOSA) Summer School Factor: The bill changes the computation of adjusted formula students in the state aid formula beginning in 2008-09. An additional factor for summer school is included. The factor equals .025 times the number of summer school units, as defined in the bill. The inclusion of a summer school factor will increase state aid by an unknown amount, dependent upon the number of summer school units. The amount cannot be determined because data is not available to estimate the number of summer school units.

State Aid (TEEOSA) Elementary Class Size Allowance: LB 1024 (2006) established an elementary class size allowance in the state aid formula beginning in 2008-09. LB 641 expands the allowance to pertain to students in grades K-8, rather than grades K-5. Allowances do not change the overall amount of state aid allocated, but will alter the distribution of aid among school districts.

State Aid (TEEOSA) Stabilization Provision: LB 1024 (2006) changed the calculation of needs in the formula for school districts having general fund levies of at least \$.99 beginning in 2008-09. If a district levies at least this amount, then the district's prior year formula needs are multiplied by 100%. The provision stabilizes aid for school districts with declining enrollments. LB 641 changes the required levy to be 95% of the school district's maximum levy. The change means a school district must levy at least \$.9975 to qualify for the stabilization provision. The change is projected to have a minimal fiscal impact in terms of state aid distributed in the future.

State Aid (TEEOSA) Learning Community Distribution: The bill changes the distribution of state aid to schools in a learning community. State aid is calculated separately for school districts and also for the learning community as a whole. Initially, in 2009-10, state aid is calculated based upon districts being separate. By the fifth year of the learning community, state aid is calculated based upon the learning community as a whole. There may be some change in overall state aid due to the use of combined valuations in calculating the yield from local effort rate, but the changes in aid are unknown and are not projected to be significant.

Transportation: School districts in a learning community may exceed the allowable growth rate for anticipated increases in transportation in the first year the district is a member of a learning community. LB 1024 (2006) required schools that are members of learning communities to provide free transportation to students who attend a school in the district other than their attendance center.

LB 641 amends the transportation provisions to require that free transportation only be provided to students transferring to another school if: the student qualifies for free or reduced-price lunches and lives more than one mile from the school; the transfer contributes to the socioeconomic diversity of the school that will be attended; or, the student is attending a focus school or magnet school more than one mile away. LB 641 reduces the amount of free transportation provided by school districts in learning communities. The amount of decreased transportation costs for school districts is unknown. Any decrease in transportation spending decreases the amount of state aid paid two years later.

Aid to Learning Communities: The bill contains intent language to provide aid to learning communities. Learning communities are to receive \$500,000 of aid in the year of establishment, which means the metropolitan learning community will receive \$500,000 in 2008-09. Up to \$1 million of aid is to be provided in the second year of a learning community. In ensuing fiscal years, the amount of aid provided in the previous year is increased by the basic allowable growth rate (2.5%). The aid is to be used for the administration, operation and programs of the learning community.

In summary, the estimated general fund fiscal impact of the bill is as follows:

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Summer School Factor (TEEOSA) Aid for Learning Comm.	?	?	?
	<u>500,000</u>	<u>1,000,000</u>	<u>1,025,000</u>
Total General Fund Fiscal Impact	\$ 500,000	1,000,000	1,025,000