

LB 742 FISCAL NOTE

Revised on 5/1/95 based on amendments adopted through 4/19/95.

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May 2, 1995

	FY 1995-95		FY 1996-97	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL			See Below	
CASH				
FEDERAL				
OTHER				
TOTAL			See Below	

LB 742 eliminates current requirements for the state to fund 90% of the allowable excess costs for Level II and Level III special education programs and 80% for Level I programs for school age children. The requirements to fund 90% of allowable costs for early childhood special education programs, transportation and residential care are also eliminated. Although the language is not technically correct in the bill, it is assumed the intent is to limit the amount of state reimbursement in 1996-97 for special education programs and transportation to the amount appropriated by the Legislature.* A termination date in Section 8 of the bill has the effect of repeating all sections of statute containing funding formulas for special education programs, residential care and transportation on August 31, 1997. Intent language in section 1 provides for the implementation of a block grant system of funding beginning in 1997-98.

LB 742 also increases the number of members of the Special Education Accountability Commission (SEAC) from 13 to 15; requires the SEAC to collaborate with the School Finance Review Committee and State Department of Education to develop recommendations for a block grant system and an accountability report; and provide special needs block grants for pilot programs.

The bill will have a General Fund fiscal impact in 1996-97 if the Legislature appropriates an amount other than the reimbursement required by current statute. Based on current estimates and included in the Appropriations Committee recommendations \$133.6 million of General Funds to fund current statutory requirements in 1996-97 with the potential of an additional deficit of \$7-9 million for preschool programs. Any costs not reimbursed by the state will decrease revenue for school districts and increase the expenditure of local resources. The fiscal impact in 1997-98 and thereafter is unknown since a specific funding formula is not identified in the bill. Since special education aid is an accountable receipt for state aid purposes, the distribution of state aid between districts will also be affected.

The State Department of Education (NDE) may experience additional expenditures in 1995-96 to pay increased operating expenses of the Special Education Accountability Commission, the School Finance Review Commission and NDE to implement the requirements of the bill. However, it is assumed the existing budgetary resources of the commissions and agency can be managed to comply with the administrative requirements of the act without an additional appropriation in 1995-96 or 1996-97.

*Technical Note: The reimbursement language in Section 4 is unclear as to which fiscal year is impacted because programs currently funded on an arrears basis and transportation which is funded on a current year basis are integrated. It is also unclear whether 1996-97 payments are to be based on a prior year program.