LB 742 FISCAL NOTE

Revised on 5/24/95 based on amendments adopted through 5/23/95.
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May 24, 1995

	FY 1995-96		FY 1996-97	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL	$110,000		($9,195,318)	($3,032,333)
CASH				
FEDERAL				
OTHER				
TOTAL	$110,000		($9,195,318)	($3,032,333)

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. The bill provides that in 1996-97, the General Fund appropriation for special education programs and transportation will increase by 2.5% over the 1995-96 appropriation, excluding any deficiency. In 1997-98, an additional 3% increase is authorized. Schools will be reimbursed in 1996-97 and 1997-98 on a pro rata basis as determined by the State Board of Education based on allowable costs. A termination date in the bill has the effect of repealing all sections of statute containing funding formulas for special education programs, residential care and transportation on August 31, 1998. Intent language provides for the implementation of an alternative system of funding beginning in 1998-99. The new system is to be designed so average annual special education costs increase at a rate no greater than the growth rate of general education.

LB 742 also increases the number of members of the Special Education Accountability Commission (SEAC) from 13 to 17 and requires the SEAC to collaborate with the School Finance Review Committee and State Department of Education to develop recommendations for a new funding system and an accountability report. The State Board/Department of Education is to review rules and regulations and state laws and make recommendations on which can be repealed or modified to reduce restrictions in providing special education programs. The State Board of Education is also required to adopt and initiate a process to waive rules and regulations pertaining to special education programs. A waiver may be granted by the board if procedures are followed.

The 2.5% cap on the growth of special education reimbursement in 1996-97 will save an estimated $9,275,318 General Funds. A 3% cap in 1997-98 will save approximately $18.9 million, assuming the current 10% annual growth trend in special education payments. The fiscal impact in 1998-99 and thereafter is unknown since a specific funding formula is not identified in the bill. However, the growth fate in special education reimbursement should be no greater than that of general education. Any allowable excess costs incurred by schools in 1996-97 and 1997-98 which are not reimbursed by the state will decrease revenue for school districts and increase the expenditure of local resources. 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. An appropriation of $30,000 General Funds is provided in LB 742A for a study of special education. There is also $80,000 General Funds appropriated in 1995-96 and 1996-97 for two professional staff to implement the waiver provisions of the bill. LB 742A also includes language requiring a transfer of $3,032,333 General Funds to the Cash Reserve Fund on June 16, 1997.