

## LB 1134 FISCAL NOTE

Sandy L. Sostad  
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Revised on 2/25/98 to reflect amendments adopted through 2/24/98.

	FY 1998-99		FY 1999-00	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL			(\$2,000,000)	(\$2,000,000)
CASH	\$2,000,000		\$2,000,000	
FEDERAL				
OTHER		(\$2,000,000)		\$2,000,000
TOTAL	\$2,000,000	\$0	(\$2,000,000)	\$0

LB 1134 changes provisions of the state aid to schools formula relating to reorganization Incentives. Currently, up to 1% of the appropriation to the Tax Equity and Education Opportunities Fund (TEEOSA) can be used for incentive payments for schools. The bill allows reorganization incentives to be paid beginning in the year following the year in which the reorganization occurs rather than in the second year after the reorganization. It allows these first year incentives to be paid in 1998-99, 1999-00, 2000-01 and 2001-02. The bill provides for incentive payments to be made for a total of three years. It changes current law to allow incentive payments through July 1, 2004 rather than up to July 1, 2006.

Since state aid for 1998-99 has already been certified, the bill establishes a Reorganized School Assistance Fund from which first year reorganization incentives are to be paid in 1998-99. A transfer of \$2 million from the Cash Reserve Fund to the Reorganized School Assistance Fund is authorized in the bill to make payments in 1998-99. In 1999-00, the bill requires that a \$2 million transfer be made from the General Fund to the Reorganized School Assistance Fund. This amount is to be immediately transferred to the Cash Reserve Fund to payback the \$2 million used to pay reorganization incentives in 1998-99. The Reorganized School Assistance Fund terminates on September 2, 1999 and any money remaining in the fund reverts to the General Fund. Section 3 has intent language to reduce the appropriation of state aid for TEEOSA by \$2 million in 1999-00. This reduction of expenditures for TEEOSA aid will offset the \$2 million transfer made from the General Fund to the Cash Reserve Fund.

In 1999-00, 2000-01 and 2001-02 the bill requires that \$2 million be set aside for first year incentive payments from the amount appropriated for TEEOSA aid. Any funds remaining from the annual set-aside shall be reappropriated for TEEOSA aid in the following year. If the set-aside is not sufficient to fund first year incentive payments, then the payments are to be prorated. Incentive funds are not included as resources for school districts in the state aid formula.

The State Department of Education indicates it can implement the bill with existing resources of the agency. The bill will increase state aid paid in 1998-99 to school districts which reorganized in 1997-98 by \$2 million. It will alter the distribution of state aid in 1999-00 since \$2 million will be reduced from the amount appropriated for TEEOSA aid to offset the General Fund payback. An additional \$2 million of aid will also be set-aside in 1999-00, 2000-01 and 2001-02 for first year reorganization incentives. This will reduce the amount of equalization aid which is available to other districts that are not receiving reorganization incentives. It is possible, if a significant number of schools reorganize, that a limit of \$2 million on the amount to be paid for first year incentives could result in less aid being allocated for reorganization incentives over a three year period than would have been expended under current law.