

LB 1175 FISCAL NOTE

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Revised on 4/8/98 to reflect amendments adopted through 4/7/98.

	FY 1998-99		FY 1999-00	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL				
CASH				
FEDERAL				
OTHER				
TOTAL	\$0	\$0	\$0	\$0

LB 1175 is the “clean-up” bill for statues pertaining to schools and the State Department of Education (NDE). The bill appears to have no fiscal impact for NDE. However, various provisions may impact the allocation of state aid to school districts or have a fiscal impact for school districts.

The bill changes the calculation of the special education allowance in the state aid formula to include receipts for words the state as part of the special education allowance. The inclusion of these receipts as part of the special education allowance will increase the formula need for some districts which will result in a shift in state aid between school districts receiving equalization aid.

The calculation of the amount of lop-off in the state aid formula is also changed in subsection (d) of 79-1008.01. The change will mean some districts may not have as much state aid “lopped-off”. This will also result in a shift in state aid between school districts.

The repealer sections eliminate statutory references to the Nebraska School for the Deaf. The School for the Deaf Cash Fund is eliminated on September 30, 1998. The budget recommendation for funding services for deaf and hard of hearing students in 1998-99 is Structured so the balance in the cash fund will be expended prior to the termination dates in the bill.

The repealer sections also eliminate the requirement for a new funding system for special education programs which we required ad beginning in 1998-99. The bill continues the current reimbursement formulas and the 3% cap on the growth in state reimbursement for special education programs.

LB 1175, as amended, incorporates the provisions of several other bills which have a fiscal impact for school districts. It includes the provisions of LB 1159 to change the calculation of total adjusted formula students for local school systems qualifying for the extreme remoteness factor in the state aid formula. It provides that local systems stems which quality for the extreme remoteness factor will have adjusted formula students of at least 150 students for purposes of determining local system formula need. However, this change in formula students will no longer be used to calculate average formula cost per student in the cost grouping.

The change in adjusted formula students for school systems qualifying for the extreme remoteness factor will increase formula need of only one school system with less than 150 students at the present time. The change will allow the school system to qualify for additional equalization aid which will be shifted from other school systems. The change to no longer use the extreme remoteness factor in the calculation of average formula cost per student in the cost groupings will result an increase in the very sparse cost grouping. In the 1998-99 state aid distribution there were 16 schools in this cost grouping, although only five local systems qualified for the extreme remoteness factor. The removal of the extreme remoteness factor from adjusted formula students used to calculate the cost grouping would have increased the total formula needs of school systems in this category by \$524,373 in 1998-99. The change in needs would have increased state aid to eleven school systems in the very sparse cost grouping by \$427,900. This aid will be shifted from other school systems which qualify for equalization aid.

The bill also includes the provisions of LB 1197 which amend the portion of the state aid formula pertaining to the determination of schools which fit into the very sparse cost grouping. Current law has several criteria which must be met for a school to be considered to be very sparse. An additional criteria is established which can be met to qualify as very sparse rather than meeting the criteria currently in law. A school system will qualify as very sparse if there are more than 45 square miles in the system, less than a .5 student per square mile and more than 15 miles between the high school and the next closest high school on paved roads.

NDE indicates the inclusion of additional school systems in the very sparse cost grouping will increase the very sparse grouping cost and decrease the sparse grouping cost school systems in the very sparse grouping will have more formula need and school systems in the sparse cost grouping will have less formula need. This will result in a shift in equalization aid among school systems. Very sparse schools which are equalized will receive more aid and equalized schools in the sparse cost grouping will receive less aid. Four school systems would change from the sparse cost grouping to the very sparse cost grouping pursuant to the bill using the 1998-99 state old certification.

LB 1133 is also included in the amended bill. It allows a school district whose state aid was to be calculated based upon sections 77-1343 to 77-1348 (greenbelt land) to apply to NDE for a lump-sum payment of state aid which was postponed from the 1997-98 fiscal year. The amount of the lump-sum payment will reduce the remaining monthly payments. NDE indicates approximately \$233,000 of state aid is eligible to be paid out to a school district as postponed state aid. It is assumed the lump-sum payment will reduce the total amount of state aid allocated for the affected district in 1998-99 and will not require an additional General Fund appropriation of state aid.

The bill also includes portions of LB 1124 which changes the method of calculating the amount of state aid to schools. The local effort rate in the school aid formula is established at 90.97% times the maximum levy allowed schools under the property tax lids. This means the local effort rate is no longer the variable component of the formula. The calculation of the minimum levy adjustment is also changed. The Legislature is required to provide sufficient annual appropriations to fully fund the amount of state aid certified by NDE based on the local effort rate established in the bill.

The bill establishes the local effort rate at \$1.00 ( $\$1.10 \times .9097$ ) for the state aid distribution in 1999-2000 and 2000-2001, which is the same local effort rate used in the distribution of state aid for the 1998-99 school year. When the maximum levy under the property tax lids is reduced to \$1.00 in 2001-02, the local effort rate will drop to about \$.91 and roughly \$70 million above the current year will be required to fund state old payments. As the local effort rate decreases and state aid increases, there may be additional schools which qualify for equalization aid.

The change in the minimum levy provisions will mean the minimum levy adjustment will not be applied to as many schools. NDE Indicates that 16 systems qualified for the minimum levy adjustment in 1998-99. Under the bill, only 9 systems would qualify for the minimum levy adjustment. This may allow some of the systems not previously receiving equalization aid to be eligible for old.

There will also be a fiscal impact for schools in the calculation of "lop-off" aid. More systems will qualify for the lop-off due to the levy change in section (3) of 79-1008.01. Any aid not allocated as a result of "lop-off" will be distributed under the small school stabilization adjustment. This means there will be additional funds available for distribution to small schools or for equalization aid.

LB 1175 also incorporates provisions of LB 1133 which requires school districts to have a written in policy on excessive absenteeism and on notification of habitual truancy to the county attorney. These provisions may have a small fiscal impact for schools to develop such policies.

The bill also requires Class I school districts to provide budget information to the high school district by August 1. If Information is not provided by the required date then state aid may be withheld.

Other amendments adopted to the bill reinstate the language contained In LB 1110, which was vetoed by the Governor, to provide for the distribution of state aid for core services to educational service units. The appropriation for core services is contained in LB 1110A. Amendments also provide for local systems containing mom then 175 square miles to qualify for temporary mitigation funds under LB 1219 if other criteria are met.