

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 1999-2000		FY 2000-2001	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

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

LB149 changes provisions of the Tax Equity and Educational Opportunities Support Act (TEEOSA). The bill provides that the certification of 1999-2000 state aid to schools made by the State Department of Education (NDE) on December 1, 1998 will be null and void. It requires the recertification of state aid for 1999-2000 by April 1, 1999 using more recent data and also eliminating the use of a fixed local effort rate in the recalculation of 1998-99 state aid.

The effect of eliminating the use of a fixed local effort rate of \$1.00 in the recalculation of state aid for 1998-99 will be to nullify a \$22,059,362 reduction in the amount of state aid that was to be distributed in 1999-2000. Current statute requires a recalculation of state aid after actual data is obtained from Annual Financial Reports submitted by schools using a fixed local effort rate (LER) of \$1.00. If the recalculation of state aid results in any difference in the amount of aid to be paid to schools, then the difference is to be subtracted from state aid provided in the following school year. In October 1998, the Legislative Fiscal Analyst determined the funding level for state aid in 1999-00 was to be \$598.7 million. In December 1998, NDE certified state aid for 1999-00 in the amount of \$574.7 million. The certification amount was derived by taking the LFA estimate of \$598.7 million (less \$2 million for reorganization incentives) less \$22 million for prior year adjustments due to the use of more recent data elements and a fixed LER of \$1.00 in the recalculation of 1998-99 aid.

The bill changes the certification date for state aid from December 1 to February 1. The change in certification date allows NDE to use actual data obtained from the Annual Financial Report of schools for second preceding school year to compute general fund operating expenses, local resources, and the special education and transportation allowances. This change will make the amount of aid certified in February be less apt to vary significantly in the final recalculation of aid.

LB149 changes the basis for determining the total amount to be appropriated for state aid. The amount of TEEOSA aid for the following school year is currently determined by the Legislative Fiscal Analyst based on language requiring the appropriation to "result in a statewide tax levy for each year's state aid calculation that would be less than the maximum tax levy" specified for schools in statute. The bill provides that NDE will determine the appropriation level by using a LER of \$.10 less than the maximum tax levy in statute. Use of a fixed LER to calculate the appropriation level means the amount of state aid to be appropriated will not be determined until NDE is able to run the formula with the required data elements in late January, for the February 1 certification of state aid.

Section 2 of the bill includes a hold-harmless provision so that in the final calculation of state aid for school year 1998-99, no school district will receive less than its final calculation of state aid for the 1998-99 school year. This provision will result in additional aid for some schools, primarily top-off school districts, in 1999-00. NDE indicates the amount will be about \$200,000.

Section 7 eliminates language that requires an amount of \$2 million for base year incentive payments to be subtracted from the amount of aid calculated to fund TEEOSA. Currently, \$2 million for base year incentive payments is subtracted from the amount of TEEOSA aid determined by the Fiscal Analyst. Due to the change in methodology to determine the appropriation for TEEOSA by fixing the LER at \$1.00, the amount for incentive payments will need to be added to the appropriation level, rather than subtracted from the appropriation level.

NDE will incur an estimated \$3,500 of expenses in the current year to recertify state aid for 1999-00. It is assumed these expenses can be handled with the existing resources of the department.

In summary, the fiscal impact of LB 149 is as follows:

	<u>FY 1999-00</u>	<u>FY 2000-01</u>
Eliminate fixed LER at \$1.00 for recalculation *	\$22,059,362	0
Fix the LER at \$1.00 to determine the appropriation	?	?

*Note that the use of a variable LER to recalculate the amount of state aid to recertified on April 1, 1999 will eliminate a \$22 million reduction in the amount of aid certified for 1999-00. However, the use of more recent data elements to compute the recertified amount will also result in an unknown change in the total amount of aid to be certified for 1999-00. The new certification amount (appropriation level) for 1999-00 state aid will not be known until March 1998.