

**LB 1228 FISCAL NOTE**

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	FY 1998-99		FY 1999-00	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL	\$2,648,000		\$2,033,200	
			to \$2,833,200	
CASH	See Below		See Below	
FEDERAL				
OTHER				
TOTAL	\$2,648,000		\$0	\$2,033,200
			to \$2,833,200	\$0

LB 1228 is the Quality Education Accountability Act. The following provisions of the bill will have a fiscal impact for the state and/or school districts.

1) Section 2 provides for quality education Incentive payments to school districts from the Education Innovation Fund beginning in 1998-99. The payments are to be \$50 per adjusted formula student or \$100 per adjusted formula student for local school systems in the very sparse cost grouping. School systems are eligible for Incentive payments if certain conditions as specified in the bill are met

It is not known how many school districts will meet the criteria specified in the bill and be eligible for incentive payments from the Education Innovation Fund. If half of the adjusted formula students in the state qualified for incentive payments, then approximately \$8,225,000 (329,000 adjusted formula students X \$50) would be disbursed as incentive aid. This would reduce the amount of school improvement grants provided to schools from the Education Innovation Fund. Annual receipts to the Education Innovation Fund are estimated to be approximately \$9.4 million in 1998-99.

2) Section 3 requires the State Board of Education (NDE) to provide a financial reporting system for local school systems beginning in 1999-00. The reporting system may be purchased from a private vendor or developed by NDE after 3 cost analysis of each alternative. The department is required to provide training to school district personnel and board members and ESU personnel on the use of the system and interpretation of the data and results. NDE and schools are required to provide financial reports and state aggregate information is to be available on a statewide public computer network.

NDE estimates of the cost of the financial reporting system are as follows for 1998-99 and 1999-00. The study of cost alternatives will likely project these costs more precisely. NDE is assuming a reporting system will be purchased from a vendor in 1998-99. The training component of the estimate is probably the most variable part of the projection. The agency is also assuming 2.0 FTE will be needed on an on-going basis to maintain the financial reporting system. There may be some expenses at the local school system level if schools need to make adjustments in school accounting systems to mesh with the newly developed financial reporting system.

	<u>1998-99</u>	<u>1999-00</u>
Financial Reporting System Study	\$20,000	
Financial Reporting System		
Software Boom (286 systems X \$2,500)	715,000	
Training (286 systems X \$5,000)	1,430,000	
NDE training, data collection & dissemination	350,000	
	2,495,000	150,000
NDE Administration		
Project Consultant	\$55,000	
Analyst V	58,000	
Operating Expenses	20,000	
	133,000	133,000
Total Financial Reporting	\$2,648,000	\$283,000

3) Section 4 requires NDE to implement a statewide testing program for students in one grade of each of three grade ranges during the fall semester of each school year beginning in 2000-2001. A testing package is to be purchased from a testing service and is to include testing in four specified subject areas. A writing test may be developed in-state or purchased as part of the testing package. NDE is to establish criteria to use to exempt special education students or may adopt alternative tests or scoring for such students. Schools must participate in testing and aggregate results must be reported to NDE. NDE is responsible for the cost of test materials and scoring.

The following table shows the estimated cost for a testing program based upon two cost scenarios. The cost scenarios were developed by NDE based upon contact with three major publishers of tests in the country. The lowed cost scenario assumes a somewhat customized, largely multiple choice test with a few constructed responses in each content area. The high cost estimate assumes a custom test with one major performance task in each of the subject areas In addition to the contents of the lower cod option test. If the higher cost test with performance assessments is chosen, it is assumed there will be on annual cost of \$825,000 to redevelop the performance assessments each year. There will also be redevelopment costs every five years or so for the multiple choice components of each test. These costs are estimated to be roughly \$1,650,000 each time the test is redeveloped.

	1999-00		2000-01	
	Low Option	High Option	Low Option	High Option
Ted Purchase	\$1,650,000	\$2,450,000		
Test Administration			\$2,070,000	\$4,485,000
NOE Administration	100,200	100,200	100,200	100,200
School Mgt. Consultant = \$ 54,300				
Secretary III = 27,900				
Operating Expenses = 18,000				
				\$100,200
Total Testing Costs	\$1,750,200	\$2,550,200	\$2,170,200 to \$4,585,200	

In summary, the estimated general fund fiscal impact of LB 1228 is as follows in 1998-99, 1999-00, and 2000-01. The bill also decreases the amount allocated for school improvement grants from the Education Innovation Fund by the amount needed for incentive payments pursuant to the bill.

	1998-99	1999-00	2001-02
Financial Reporting System	\$2,495,000	\$150,000	\$150,000
Test Purchase & Administration	0	1,650,000 to 2,450,000	2,070,000 to 4,485,000
NDE Administration (4.0 FTE)	133,000	233,200	233,200
TOTAL	\$2,648,000	\$2,033,200 to 2,833,200	\$2,453,200 to 4,868,200