

## LB 1228 FISCAL NOTE

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Revised on 3/16/98 based on amendments adopted through 3/4/98.

	FY 1998-99		FY 1999-00	
	Expenditures	Revenue	Expenditures	Revenue
GENERAL	\$20,000		\$1,561,000 to \$1,995,100	
CASH	See Below		See Below	
FEDERAL				
OTHER				
TOTAL	\$20,000	\$0	\$1,561,000 to \$1,995,100	\$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 5 requires the State Board of Education (NDE) to develop a mentor teaching program. The board is to conduct a comprehensive study of the needs of now teachers and how the needs can be met through a mentoring program. Section 6 provides that the mentor program will be funded by up to 10% of the Education Innovation Fund (lottery proceeds). NDE is to provide a report to the Legislature on the progress in implementing the mentor teacher program by December 1, 1998.

Annual receipts to the Education Innovation Fund are projected to be approximately \$9.4 million in 1998-99. The projected cash balance of the fund will be \$14.9 million on July 1, 1998. The 10% cap on the amount of funds available for the mentor teacher program means that about \$940,000 to \$2.4 million of cash funds can be expended for this purpose from the Education Innovation Fund In 1998-99. It is assumed any administrative costs for the mentor teacher program will be funded by to Education Innovation Fund.

NDE projects an estimated cost for a mentor teacher training program to be \$2,467,000 per year based upon a model program established in North Carolina. It is assumed NDE will have one-time costs of \$6,500 to develop a training program and establish rules and regulations for the program in 1998-99. It is also assumed a Director I will be employed to implement and administer the mentor teacher program. On-going administrative costs for staff and operating expenses is estimated to be \$60,500 in 1998-99 and \$55,900 in 1999-00. Assuming this level of operating expenses, there will be approximately \$873,000 to \$2,333,500 left in 1998-99 to provide training for mentor teachers. It is assumed there will be at least \$884,100 to provide training in 1999-00.

2) Section 2 provides for quality education incentive payments to school systems 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 primary and premier quality factors specified in the bill are met schools are to use incentive payments for the same purposes as are currently allowed for major competitive grants from the Education Innovation Fund. Funds to provide Incentive payments are the second priority for funding by the Education Innovation Fund after 10% is allocated for the mentor teacher program. If the balance in the fund is not sufficient to cover all Incentive payments, then the funds will be prorated to eligible school systems.

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. Assuming this level of funding for incentive grants and \$940,000 for the mentor teacher program, there would be an estimated \$235,000 of cash funds left in the Education Innovation Fund for competitive school improvement grants.

3) Section 3 requires the School Finance Review Committee with assistance from NDE to complete a feasibility study and make recommendations for a financial reporting system for school systems by December 1, 1998. The estimated one-time general fund fiscal impact of the feasibility study is \$20,000 in 1998-99.

4) 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 2000-01. 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.

It is assumed an "off-the-shelf" multiple choice test, somewhat normed to Nebraska standards, will be the test instrument purchased for the testing in all of the subject areas except writing. It is also assumed there will be approximately 23,000 students tested in each of three grade levels, so a total of 69,000 students will be tested each year. The following table shows the estimated cost of a multiple choice test and the estimated cost of a writing assessment developed in-state and one purchased from a vendor. The cost estimates for the multiple choice and writing assessment provided by a vendor were developed by one of the three major test publishers in the country. The estimated cost for a writing assessment developed and administered by educators within the state was derived from discussions with ESU personnel who are currently administering a regional writing assessment to about 2,000 students. This cost estimate should be considered to be preliminary at best, because ESU staff have not made cost estimates to Implement a writing assessment on a statewide basis.

Cost Per Test Instrument

	Vendor Developed		In-state Development
	Multiple Choice	Writing Assessment	Writing Assessment
Test Materials	4.17	1.35	
Test Scoring	10.08	7.30	
Shipping	.48	.48	
Customized Reporting	<u>2.17</u>	<u>2.17</u>	
Estimated Total Cost/Test	\$16.90	11.30	5.00
Estimated Students	X <u>69,000</u>	X <u>69,000</u>	X <u>69,000</u>
Estimated Total Cost	\$1,166,100	779,000	345,000

The table shows an annual estimated general fund cost of approximately \$1,945,000 (\$28.20/ test) for a multiple choice test and a writing assessment which is purchased from a major test publisher. If only a multiple choice test is purchased from a testing company and the writing assessment is developed and administered by educators in the state, then annual testing costs may be closer to \$1,511,000 (\$21.90/ test). It is assumed these costs will be incurred in 1999-00 in order to implement the test in the fall of 2000.

NDE indicates the need for a School Management Consultant and Secretary III to manage the testing program and provide test results. The estimated annual fiscal impact for two FTE and related operating costs is \$100,200 of general funds. It is assumed staff will not be hired until January of 2000, so only 50% of the annual cost will be incurred in 1999-00.

In summary, the estimated general fund fiscal impact of LB 1228 is \$20,000 in 1998-99, \$1.56 million to \$2 million in 1999-00, and \$1.6 million to \$2 million in 2000-01 and thereafter. The bill also decreases the amount allocated for school improvement grants from the Education Innovation Fund by the amount needed for the mentor teacher program and incentive payments pursuant to the bill.