

Revised on 3/14/14 to reflect amendments adopted through 3/13/14.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$600,000	
CASH FUNDS	\$1,530,000		\$2,039,500	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,530,000		\$2,639,500	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 967 changes various provisions relating to education as described below including the allocation of the Education Innovation Fund (lottery proceeds) and provisions of the Tax Equity and Educational Opportunities Support Act (TEEOSA).

Education Innovation Fund: The bill changes the allocation of lottery funds from the Education Innovation Fund in FY2014-15 and FY2015-16. The changes in the allocation are as follows:

Excellence in Teaching Cash Fund: Currently, \$1 million is allocated from the Education Innovation Fund to the Excellence in Teaching Cash Fund for loans to teachers pursuant to the Excellence in Teaching Act in FY15 and FY16. The bill increases the amount allocated by \$200,000 each year.

School District Reorganization Fund: The bill increases the allocation from the Education Innovation Fund each fiscal year by \$1 million to be transferred to the School District Reorganization Fund. The funds are used for support grants to Class III school districts which reorganize after the effective date of the bill.

The support grants are equal to \$125,000 for each of the school districts that are consolidating. The grant is provided for the first full school year the merger is in effect. If funds in the School District Reorganization Fund are not sufficient to provide support grants, the grants will be reduced proportionately. Any grants not funded in FY15 are to be funded prior to the payment of approved support grants in FY16. Grant funds are excluded from local system resources for purposes calculating state aid and expenditures of the grant funds are excluded from the budget lids.

ACT Pilot Project: LB 967 extends an existing pilot project to administer the ACT test to students in the eleventh grade in participating districts. The pilot project is extended for two additional years in FY15 and FY16. Currently, \$160,000 of lottery funds are used for the project in FY14. The bill provides for \$145,000 to be allocated from the Education Innovation Fund in FY15 and FY16 to continue the pilot project.

Transfer to Nebraska Education Improvement Fund: The bill provides for \$3 million to be retained in the Education Innovation Fund in FY16 to transfer to the Nebraska Education Improvement Fund on June 30, 2016.

Career Education Programs: A new allocation is provided from the Education Innovation Fund to the State Department of Education to award grants to assist schools in evaluating and improving career education programs to align the programs with the state's economic and workforce needs. The bill provides \$335,000 of lottery funds for this purpose in FY15 and provides for the remainder of the funds in the Education Innovation Fund, after other statutory allocations are made in FY16, to be provided for career education programs. It is estimated that about \$344,500 will be available in FY16.

Distance Education Incentives: The bill establishes an earmark of \$2 million for distance education incentives in FY15 and \$2.5 million in FY16. Pursuant to current law, \$2,150,000 was appropriated for this purpose in FY15, so the change decreases the appropriation by \$150,000. This change reflects the estimated amount of aid for distance education incentives that will be paid in FY15.

The bill also provides that all funds appropriated or transferred from the Education Innovation Fund that are not used for their designated purpose as of June 30, 2016 shall be transferred to the Nebraska Education Improvement Fund on or before August 1, 2016. Outstanding obligations for school district support grants, early childhood endowment grants and early childhood education grants may be paid until the August 1, 2016 transfer date.

An analysis of the Education Innovation Fund shows the bill provides for the expenditure of all of the lottery proceeds currently projected to be in the Education Innovation Fund in the next two years with the exception of the \$3 million to be transferred to the Nebraska Education Improvement Fund. If revenue projections from the lottery are accurate, there should be sufficient revenue to fund the provisions of LB 967. If revenue projections are not met, then funding for career education programs in FY16 will be decreased by the amount of the shortfall and the transfer to the Nebraska Education Improvement Fund could be impacted. The following table shows the changes in the allocation of the Education Innovation Fund in FY15 and FY16 pursuant to the bill.

Education Innovation Fund

	FY 2014-15	FY 2015-16
Excellence in Teaching Act	200,000	200,000
Reorganization Support Grants	1,000,000	1,000,000
ACT Pilot Project	145,000	145,000
Career Education Grants*	335,000	344,500
Distance Education Incentives	<u>-150,000</u>	<u>350,000</u>
Change in Appropriation	\$1,530,000	\$2,039,500

*estimated for FY2015-16

State Aid (TEEOSA): LB 967 eliminates the instructional time allowance and teacher education allowances in the state aid formula beginning in FY2016-17. The bill also reduces the amount allocated in the formula for each allowance by 50% in FY2015-16. The amount allocated for the instructional time allowance is reduced from \$20 million to \$10 million and the teacher education allowance is reduced from \$30 million to \$15 million in FY16.

Generally, an allowance in the state aid formula only minimally changes the overall amount of state aid allocated. However, allowances alter the allocation of state aid among school districts. An allowance recognizes that expenditures for these types of programs are attributed to the school district actually providing the program. A reduction or elimination of an allowance increases the amount of basic funding in the formula. The change in the allowances is estimated to increase state aid by about \$600,000 of general funds in FY2015-16 and \$2.3 million in FY2016-17. The aid for individual school districts will change depending upon how much aid is lost through the reduction or elimination of the allowances versus the amount gained by an increase in the amount of basic funding in the formula.

Student Achievement Coordinator: The bill requires the Commissioner of Education to appoint a student achievement coordinator. The Appropriations Committee included \$93,532 of general funds in LB 905 for an Education Specialist III to review and evaluate poverty and limited English proficiency plans submitted by school districts. It is assumed this position will assume the responsibilities of the student achievement coordinator as defined in the bill so these provisions have no additional fiscal impact.

Early Childhood Education: The bill includes intent language to assure that every family in the state has access to an early childhood education program in at least the school year prior to the school year for which the child is eligible to attend kindergarten (four year olds). The bill also provides intent language that any additional funds appropriated for early childhood education grants after January 1, 2014 shall be used for programs for four year olds. The unobligated balance of such funds is to be reappropriated for FY16 and FY17.

The Appropriations Committee recommended a \$3,415,000 increase in general funds for the early childhood grant program which is appropriated in LB 905 for FY2014-15. The grant funds are one-time funds to be used over a three year period from FY15 through FY17. The unexpended appropriation balance existing on June 30, 2015 is reappropriated. Based upon intent language in LB 967 it is assumed the funds will be used for programs for four year olds.

Summary: The bill increases the allocation from the Education Innovation Fund by \$1,530,000 of cash funds in FY15 and an estimated \$2,039,500 in FY16. LB 967 also increases state aid to schools through TEEOSA by an estimated \$600,000 of general funds in FY2015-16 and \$2.3 million in FY2016-17.

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2014

LB⁽¹⁾ 967 AM 2199

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

NDE/School Finance & Organization Services

Prepared by: ⁽³⁾ Wilson

Date Prepared: ⁽⁴⁾ March 13, 2014

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	<u>1,580,000</u>		<u>1,689,000</u>	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>1,580,000</u>		<u>1,689,000</u>	

Explanation of Estimate: LB 967 takes the first 1 million dollars from the education innovation fund for each of the 14/15 and 15/16 years and directs it to the School District Reorganization Fund. LB 967 also reduces the Instructional Time Allowance, Instructional Time Aid, Teacher Education Allowance and Teacher Education Aid by 50% for 2015/16 and eliminates the Instructional Time Allowance, Instructional Time Aid, Teacher Education Allowance and Teacher Education Aid for years after 2015/16.

There will be minimal impact from the reduction and elimination of the Instructional Time Allowance and Teacher Education Allowance as those allowances will be shifted into Basic Funding. The reduction and elimination of the Instructional Time Aid and Teacher Education Aid will result in less state aid starting in the 2015/16 year but the amount cannot be determined at this time.

The changes in the Education Innovation Fund limiting distance education equipment and incentives to \$2,000,000 in 2014/15 will reduce potential funding by \$100,000 for that year.

The amendment continues the intent to increase the Excellence in Teaching Act funds to \$200,000. Current operating budget available for the ETA would allow for a potential Rule revision to update the title "North Central Association of Colleges and Schools" to be consistent with the title used in the amendment (a regional accrediting agency recognized by the United States Department of Education as determined to be acceptable by the State Board of Education) (approximately \$600.00) and therefore this amount has not been included in the Fiscal Note.

The amendment allocates \$145,000 for 2014-15 and 2015-16 from the Education Innovation Fund for the college admissions test pilot project. No additional costs would be incurred.

\$335,000 for 2014-15 and \$344,000 for 2015-16 is allocated from the Education Innovation Fund for evaluating and improving career education programs aligned with economic and workforce needs.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits				
Operating			<u>\$145,000</u>	<u>\$145,000</u>

Travel.....	<u> </u>	<u> </u>
Capital outlay.....	<u> </u>	<u> </u>
Aid.....	<u> \$1,435,000 </u>	<u> \$1,544,000 </u>
Capital improvements.....	<u> </u>	<u> </u>
TOTAL	<u> \$1,580,000 </u>	<u> \$1,689,000 </u>