

Revised on 5/11/15 based on amendments adopted through 5/4/15.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$47,360		\$2,000,000	
CASH FUNDS			See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$47,360		\$2,000,000	

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

LB 525 changes various provisions regarding education. The following changes have a fiscal impact for school districts or the State Department of Education (NDE), or the Coordinating Commission for Postsecondary Education (CCPE).

Update of Subject Area Standards: Currently, the State Board of Education is required to review and update standards for reading, writing, math, science and social studies every five years. The bill increases the time span to revise subject area standards to every seven years. The change will reduce future expenditures for standards revision since the task will not be completed as frequently. The fiscal impact is unknown.

State Council on Educational Opportunity for Military Children Meetings: The bill authorizes the State Council on Educational Opportunity for Military Children to use videoconferencing when it holds a single meeting in a calendar year. Current law precludes the use of videoconferencing if only one meeting per year is held. The change may minimally decrease expenditures of NDE for the meeting of this council each year.

LB 525, as amended, includes the provisions of other bills which may have a fiscal impact as follows:

Aid for Educator Effectiveness Grants: The bill includes provisions in LB 239 which require NDE to provide grants for up to two years to school districts to implement an evaluation model for effective educators and to obtain training for administrators and teachers for such model. The grants shall be provided beginning in FY2016-17 through FY2019-20.

The bill repeals provisions of LB 1014 (2010) which provided for the rental income from solar and wind leases on school lands to be used for teacher performance pay beginning in FY2016-17. The bill provides for the income from solar or wind agreements on school lands to be used for educator effectiveness grants rather than teacher performance pay. Current law requires that the income from solar and wind leases on school lands is subtracted from state apportionment and distributed as teacher performance pay, prior to allocating state apportionment to school districts on an annual basis. State apportionment (pro rata based on children ages five through eighteen) is allocated annually to all school districts in the state.

The Board of Educational Lands and Funds indicates a few towers have been built on school land but there is minimal production at this time and only \$72,800 has been received to date. However, more towers are anticipated in the future, so there may be additional revenue from solar and wind leases in the next few years. It is assumed that NDE will submit an adjusted budget request for FY2016-17 in the amount of the estimated cash funds that will be available for educator effectiveness grants beginning in FY2016-17.

The fiscal impact of the bill for school districts will be a change in how revenue from solar and wind leases is expended by school districts. Currently, the revenue is to be used for teacher performance pay beginning in FY2016-17 whereas the bill allocates the funds for educator effectiveness grants beginning the same year. It is assumed revenue received by school districts for educator effectiveness grants will be a resource for state aid purposes just as state apportionment or teacher performance pay is treated so the bill will not impact overall state resources for aid purposes. However, there could be a change in resources received by individual districts depending upon whether an educator effectiveness grant is received and the amount of such grant.

Aid for Completion of a Program of Excellence: The bill includes some provisions of LB 343 which establish a new aid program to allocate funding for programs of excellence, dual-enrollment courses or career academies provided by school districts. Educational service units (ESU's), on behalf of member public schools, may apply to NDE for aid for each student who completes a program of excellence, dual-enrollment course or a career academy. Applications for reimbursement for courses provided in the preceding fiscal year are to be submitted prior to August 1 of every year beginning in 2016. Aid will be allocated after September 1st of each year,

beginning in FY2016-17. Revenue received pursuant to the program is considered to be a special grant for state aid purposes and is included in the special receipts allowance in the state aid formula (TEEOSA). These provisions allow districts to exceed the budget lid by the amount of revenue received and also insure that equalization aid will not be negatively impacted for districts receiving the aid.

The bill provides for NDE to develop rules and regulations to administer the program and reimburse a school district through its ESU a per student amount based upon the funds allocated for the program and the number of eligible for reimbursement. Intent language in the bill provides for \$2 million of general funds to be appropriated for FY2016-17 to fund the new program.

NDE will need additional staff to administer the new aid program. It is assumed that a 1.0 Program Specialist III will be hired in January of 2016 to develop rules and regulations for the program and provide on-going administrative support. The estimated general fund cost for one FTE and related operating expenses is \$47,360 in FY2015-16 and \$96,300 in FY2016-17. The ESU's indicate there will be recordkeeping and accounting expenses associated with the bill that can be handled with existing resources and staff of the individual service units. It is assumed the costs of administration will be deducted from the \$2 million allocated for the program, so aid for students completing programs will total \$1,903,700 of general funds in FY17.

Poverty Allowance in the Tax Equity and Educational Opportunities Support Act (TEEOSA): The bill includes amended provisions of LB 509 pertaining to the poverty allowance in TEEOSA. Current law is amended to eliminate provisions which disqualify a district from receiving the poverty allowance in an ensuing year when poverty expenditures do not equal 50% or more of the allowance. The bill also changes another penalty which currently provides a poverty allowance correction of 50% when a district does not meet the required elements of a poverty plan. The bill reduces the penalty to a 5% correction and removes the current requirement for a district to be disqualified for the poverty allowance in the ensuing fiscal year. The changes are effective beginning in FY2016-17.

The changes in the penalties will increase needs in the TEEOSA formula for school districts that would have been penalized pursuant to current law. Higher needs for school districts receiving equalization aid will likely increase state aid by the amount of increased needs. School districts which do not receive equalization aid will not receive any additional state aid due to the changes in the poverty allowance penalties.

The amount of reductions in TEEOSA aid due to the poverty allowance penalties totaled \$1,565,743 for FY2013-14 state aid. The majority of the reduction in aid was for one school district (\$970,169). The amount of reductions in TEEOSA aid due to poverty allowance penalties totaled \$387,247 for FY2014-15 state aid. The poverty allowance penalties will result in \$147,809 of reduced aid in FY2015-16, based upon the preliminary certification. It is unknown which districts may incur a poverty penalty in the future, so no fiscal impact for the bill can be determined. Based upon the most recent years, it appears the fiscal impact in terms of increased TEEOSA aid will be minimal.

Community Eligibility Provision: LB 525 includes provisions of LB 524 which redefine low-income and poverty students for purposes of TEEOSA to include students who are provided free meals pursuant to the Community Eligibility Provision (CEP). The CEP is an option for school districts to offer free meals to all students in high poverty schools without collecting applications from households. Eligible schools must have at least 40% of the students identified as poverty students in order to participate in CEP. Some school districts in the state are currently weighing the possibility of applying for CEP. One district is currently in the program (Santee) and Omaha Public Schools is piloting the option in six elementary schools this semester according to the State Department of Education.

Since the bill redefines poverty and low income students to include students provided free meals pursuant to CEP, some of whom are not currently considered to be low income, the number of students used to calculate the poverty allowance and summer school allowance provisions of the state aid allocation may increase. However, it is assumed the redefinition of poverty students in the bill will not result in increased school spending on poverty or summer school programs, so little, if any change in the amount of the poverty or summer school allowances for school districts is anticipated. If the dollar amount of allowances does not change, then the bill will have no fiscal impact in terms of reallocating TEEOSA aid in the future.

Responsibility for the State School Security Director: The bill includes provisions of LB 572 to expand the responsibilities of the State School Security Director to include making recommendations on curricular and extracurricular materials to assist school districts in preventing and responding to cyberbullying and digital citizenship issues. This fiscal note assumes the new duties in the bill are not such that additional employees will be required. It is assumed the existing State School Security Director can implement the requirements of the bill with existing resources.

Access College Early Scholarship Program Act: LB 525 includes provisions in LB 410 related to the Access College Early Scholarship Program (ACE). Under provisions of ACE, students meeting income/financial eligibility criteria who, while still in high school, enroll in college courses from eligible Nebraska colleges and universities (either through dual-enrollment or early enrollment agreements), are eligible to receive ACE Scholarships for related tuition and mandatory fees. Eligible students applying to take one or more courses from an accredited Nebraska postsecondary education institution may apply for ACE scholarships. Aid awarded under the program is to equal the lesser of tuition and mandatory fees incurred by the student after any applicable discounts or the tuition and fees that would have been incurred by the student for the same number of credit hours if the student were taking the course as a full-time, resident, undergraduate student from the University of Nebraska-Lincoln. Scholarship amounts are forwarded directly to the relevant postsecondary education institution as payment of the eligible student's tuition and mandatory fees. The ACE Scholarship Program is administered by the Coordinating Commission for Postsecondary Education (CCPE).

The bill defines the term “career plan of study” to mean a sequence of at least three high school courses that:

- (a) may include dual credit or college credit courses,
- (b) are part of a career pathway program of study aligned with (1) the rules and regulations of NDE, (2) a professional certification requirement, or (3) the requirements for a postsecondary certification or diploma, and
- (c) have at least one local member of business or industry partnering as an official advisor to the program.

The bill amends existing income/financial criteria used to determine student eligibility for an ACE Scholarship. A new eligibility criterion is added that provides that students who do not meet the current eligibility criteria would be eligible to receive up to \$250 per semester for courses that are part of “career plan of study” if the student’s family has an annual household income at or below 250% of the federal poverty level. While this new eligibility criterion should increase the number of students eligible to apply for aid under provisions of the ACE Act, no estimate of the increase in students eligible to apply for ACE Scholarships is currently available.

Current law directs the CCPE to make ACE scholarship awards in the order applications are received, except the agency is authorized to limit the number of scholarships awarded and the number an individual student may receive which enables the CCPE to limit scholarships if funds appropriated for the program are insufficient to meet all applications. The same provisions result in the appropriation level for the program being at the discretion of the Legislature. While the extent to which the number of students eligible to apply for ACE Scholarships may increase under provisions of LB 525 is uncertain, it is likely the number will increase if the bill is enacted. It should be noted that the current (FY2014-15) appropriation level for the ACE Program is insufficient to satisfy all applications for student aid under the program. Compounding the matter of this insufficiency is the expiration (at the close of FY2014-15) of U.S. Department of Education College Access Challenge Grant (CACG) federal funds which are utilized to supplement the current General Fund appropriation for the ACE Scholarship Program (FY2014-15 appropriations for the ACE Program include \$685,000 General Funds and \$300,000 Federal Funds).

CCPE estimates \$2,800 in one-time general fund costs would be incurred to implement LB 525 in FY16. This includes \$800 to amend rules and regulations and \$2,000 to modify software associated with the current online ACE Scholarship application mechanism to incorporate student eligibility changes as provided in the bill. After discussions with the CCPE, it is assumed the agency can revise rules and regulations and change an existing web application to include the new eligibility classification with existing staff and resources.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB:525	AM:1306	AGENCY/POLT. Nebraska Department of Education
REVIEWED BY: James Van Bruggen	DATE: 5/7/2015	PHONE: 471-4179
COMMENTS: The number of FTE's requested by the department could be reduced.		

Please complete ALL (5) blanks in the first three lines.

2015

LB⁽¹⁾ 525 including AM 1306

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Department of Education

Prepared by: ⁽³⁾

Brian Halstead

Date Prepared: ⁽⁴⁾

May 6, 2015

Phone: ⁽⁵⁾

402 471-0732

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
	See explanation below		See explanation below	
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

There was no fiscal impact to NDE for LB 525 as introduced. AM1306 incorporates some provisions from LB 239 that beginning in 2016-17 permit school districts to apply to NDE for grants to implement model evaluations for effective educators and to receive training for educators. LB 657 (Budget bill) currently includes funds in the NDE budget for a position to lead on effective educators. Provided that funding remains in NDE's budget for this new position, then that new position could handle the grants to school districts beginning in 2016-17. AM 1306 incorporates community eligibility provisions from LB 524 for which there would be no costs to NDE to carry out. Any impact on TEEOSA in future years is not determinable at this point. AM 1306 also incorporates the provisions from LB 572 for which there would be no fiscal impact to NDE to carry out.

AM 1347 incorporates the provisions from LB 509 that makes changes to the poverty allowance. Under current statute, state aid would likely increase because more districts would be able to attain the reduced allowance expenditure limit, less penalties would occur along with no disqualification penalties. Exact fiscal impact cannot be determined at this time. There is no fiscal impact to NDE to carry out these changes in TEEOSA.

AM 1493 incorporates the provisions from LB 343 that creates a new dedicated source of funding to public schools in Nebraska through educational service units for the costs of offering programs of excellence, dual-enrollment courses and career academies. The language in the amendment calls for an appropriation of \$2,000,000 in 2016-17 from the general fund. As the fiscal note submitted by NDE for LB 343 previously indicated, NDE would need to add 1.5 staff to manage the program as shown below.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Program Specialist III	1.0	1.0	\$56,284	\$57,635
Professional Assistant	.5	.5	\$16,196	\$16,585
Benefits.....			\$42,121	\$45,419
Operating.....			\$5,250	\$5,250
Travel.....				
Capital outlay.....				
Aid.....				2,000,000
Capital improvements.....				
TOTAL.....			\$119,851	\$2,124,889

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2015

LB⁽¹⁾ 525

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Coordinating Commission for Postsecondary Education

Prepared by: ⁽³⁾ Gary Timm Date Prepared: ⁽⁴⁾ 5/5/15 Phone: ⁽⁵⁾ 471-0020

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2015-16</u>		<u>FY 2016-17</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$2,800</u>	<u> </u>	<u> </u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$2,800</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Explanation of Estimate:

The Access College Early (ACE) Scholarship Program provides financial assistance to low-income students for courses taken for credit from a qualified postsecondary educational institution while still enrolled in high school. LB525 adds a third student eligibility classification to the ACE program for students who take dual credit courses that are part of a career plan of study and the student’s family has an annual household income at or below 200% of the federal poverty level. These students would be eligible for up to \$250 per semester in financial aid after applications for students qualifying under the two existing eligibility classifications have been awarded scholarships.

LB525 AM1306 amends the current ACE program and would require the Commission to amend current rules and regulations. Costs for rules and regulations - \$500 for notice of hearing in the Omaha World-Herald, \$200 for travel for two Commissioners to hold the public hearing, and \$100 for copies and staff travel. The Commission would also need to contract with the OCIO to modify the current ACE web application to include this new eligibility classification at a one-time cost of \$2,000. Because administrative expenses for the ACE program are paid from program 640, the administrative costs estimated at \$2,800 for FY16-17 would need included in program 640.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2015-16</u>	<u>2016-17</u>
	<u>15-16</u>	<u>16-17</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
<u>Benefits.....</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Operating.....</u>	<u> </u>	<u> </u>	<u>\$2,800</u>	<u> </u>
<u>Travel.....</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Capital outlay.....</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Aid.....</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Capital improvements.....</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL.....	<u> </u>	<u> </u>	<u>\$2,800</u>	<u>\$0</u>