

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			\$3,075,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$3,075,000	

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

LB 421 dissolves the learning community, which includes eleven school district members in Douglas and Sarpy counties, on July 1, 2016. All records, books, papers, funds and personal property belonging to the learning community shall be delivered to the State Board of Education to be distributed to school district members. Any remaining funds are to be allocated to the largest school district (Omaha) belonging to the learning community.

Repeal of Common Levy: The bill repeals the common \$.95 levy for school districts which are members of a learning community. The levy generates about \$470 million of property taxes in 2014. The common levy is currently allocated among member districts proportionally based upon the difference of the district’s formula need less the sum of state aid and other actual receipts. The repeal allows each district to levy an individual levy and receive the amount of property taxes collected per the valuation of the district. Some districts in the learning community will have decreased property tax receipts and others will have increased receipts pursuant to the repeal.

Repeal of Special Building Fund Levy: LB 421 also repeals the authorization for a special building funds levy for the learning community. The levy is a maximum of \$.02 and would generate about \$9.9 million based upon 2014 valuations. Taxes received from the levy are distributed proportionately to member school districts based on formula students. The learning community schools did not utilize the levy in 2014.

Change in Calculation of State Aid (TEEOSA): Currently, state aid for the eleven school districts in Sarpy/Douglas counties in the learning community is calculated collectively. The combined formula needs of all the districts in the learning community are compared to the combined formula resources of all districts in the learning community to determine the amount of equalization aid for the school districts in the learning community. Each school district receives a proportional share of equalization aid based upon its share of total formula needs. Assuming the bill takes effect for the state aid allocation beginning in FY2016-17, the repeal of the pooling concept for state aid for the learning community will increase state aid to schools by about \$3.8 million, based upon state aid calculated for FY16.

Focus School Allowance: The bill allows the continuation of the focus school allowance in the state aid formula for schools in the learning community which operated focus schools prior to the dissolution of the learning community. The bill also changes current law to allow school districts that are not in a learning community to provide focus schools, focus programs or magnet schools. The fiscal impact of this change is unknown but may result in a redistribution of TEEOSA aid in the future or a slight increase in aid if districts provide focus or magnet school options.

Transportation: The bill repeals current law requiring school districts in the learning community to transport students participating in open enrollment in member districts. The repeal of the transportation requirement reduces school district expenditures by an estimated \$3.9 million beginning in FY17. Any changes in school spending impact the amount of state aid distributed two years later. So, the fiscal impact of decreased transportation expenditures by members of the learning community will impact state aid beginning in FY17.

Any change in state aid is dependent upon how decreased spending for transportation impacts the calculation of basic funding for districts and whether the needs stabilization offsets decreases in basic funding. Since the majority of the districts in the learning community are in the same comparison group in terms of computing basic funding and most are equalized, the bill likely will reduce state aid in the future.

Aid for the Learning Community: The state provides \$725,000 of general funds as aid for the learning community in FY2014-15. The repeal of the learning community reduces general fund expenditures by this amount beginning in FY17.

Reduction in Aid for the Learning Community/Increase for Educational Service Units: The bill eliminates ESU core service funding for the learning community and restores the funding to ESU's #19 and #3. Based upon FY2014-15 aid allocations, the change will reduce state aid to the learning community by \$540,237 and increase state aid to ESU's by a like amount.

Learning Community Levies: Two levies authorized to operate the learning community and elementary learning centers are repealed beginning in FY17. A levy of up to \$.005 is currently authorized for elementary learning center leases and leaseholder improvements. The levy will generate approximately \$2.5 million in property tax receipts based on 2014 valuations. The learning community is also authorized to levy up to \$.015 for early childhood education programs for children in poverty and for staff and operations costs of elementary learning centers. A \$.015 levy raises about \$7.4 million in property taxes based upon 2014 valuations. The learning community levied \$.01 for these purposes in FY2014-15.

The fiscal note prepared by the learning community indicates the political subdivision does not intend to utilize the levies in FY16, if the learning community is dissolved on July 1, 2016. There will be sufficient budgeted reserves to complete programming in the elementary learning centers in that fiscal year. There will also be decreased expenditures of \$2.5 million in FY2015-16 because initial contract payments for services in the ensuing year, FY17, will not be made.

In summary, the fiscal impact of the bill for the learning community will be decreased expenditures of \$2.5 million in FY16 and decreased revenue of \$5 million because the levy authority will not be utilized. The political subdivision will be eliminated in FY17. The annual budget for the learning community for FY2014-15 shows projected disbursements of \$9.2 million which would no longer be incurred.

Summary: The following table shows the estimated fiscal impact of the bill for the state General Fund. The overall fiscal impact for school districts is unknown because the change in property tax receipts and state aid for schools in the learning community is not known. The dissolution of the learning community eliminates expenditures of the political subdivision for elementary learning centers, early childhood education programs and administration which currently total about \$9.2 million.

	FY2016-17	FY2017-18	FY2018-19
TEEOSA Aid:			
Repeal Pooling of aid in Learning Community	3,800,000	3,800,000	3,800,000
Decreased Transportation Expenditures	0	0	-3,900,000
Total Estimated TEEOSA Aid Change	3,800,000	3,800,000	-100,000
Repeal State Aid to Learning Community	-725,000	-725,000	-725,000
Total Change in State Aid	\$3,075,000	\$3,075,000	(\$825,000)

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:421	AM:	AGENCY/POLT. Dept of Education	
REVIEWED BY: James Van Bruggen		DATE: 2/5/2015	PHONE: 471-4179
COMMENTS: I concur with the Department of Education's assessment.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:421	AM:	AGENCY/POLT. Educational Service Unit Coordinating Council	
REVIEWED BY: James Van Bruggen		DATE: 1/26/2015	PHONE: 471-4179
COMMENTS: I concur with the Educational Service Unit Coordinating Council's assessment.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB:421	AM:	AGENCY/POLT. Learning Community of Douglas and Sarpy Counties	
REVIEWED BY: James Van Bruggen		DATE: 1/28/2015	PHONE: 471-4179
COMMENTS: Language in the bill describes Fiscal Year 2015-16 as the Learning Community's last year of existence.			

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

2015

LB⁽¹⁾ 421

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Educational Service Unit Coordinating Council

Prepared by: ⁽³⁾ David M. Ludwig

Date Prepared: ⁽⁴⁾ 1-23-15

Phone: ⁽⁵⁾ 402-597-4915

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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Explanation of Estimate:

Within the financial structure of the Learning Community, ESU's 3 and 19 will continue to be impacted with the loss of 10% of ESU Core Service Funds for each fiscal year. The fiscal impact of any legislation that removes the transfer of 10% of Core Service Funds to the Learning Community Coordinating Council would increase the amount of Core Services Funding to ESU's 3 and 19 due to the reinstatement of the 10% Core Services Funds.

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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....	0.00	0.00	<u>0.00</u>	<u>0.00</u>

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

2015

LB⁽¹⁾ 421

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Learning Community of Douglas and Sarpy Counties

Prepared by: ⁽³⁾ Brian Gabrial

Date Prepared: ⁽⁴⁾ 1/28/15

Phone: ⁽⁵⁾ 402-964-2198

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	\$0	\$0	-\$1,265,237	-\$1,265,237
CASH FUNDS	\$0	\$0	\$0	\$0
FEDERAL FUNDS	\$0	\$0	\$0	\$0
OTHER FUNDS	-\$2,500,000	-\$5,000,000	-\$5,000,000	-\$5,000,000
TOTAL FUNDS	-\$2,500,000	-\$5,000,000	-\$6,235,237	-\$6,235,237

Explanation of Estimate:

LB 421 would clearly have a large an impact on the budget of the Learning Community of Douglas and Sarpy Counties as the bill completely eliminates the political subdivision.

Although the bill sets a date of July 1, 2016, an assumption I used for estimating impact was the date of elimination would coincide with the end of the Learning Community fiscal year, which would set the date at September 1, 2016.

For FY 2015-16, the Learning Community would not need to make initial contract payments for FY 2016-17 ELC programming, this is reflected in the -\$2.5M impact to expenditures. Additionally, the Learning Community would use budgeted reserves to make mid-term and final payments on FY 2015-16 ELC programming, hence there would be no monies levied under the ELC levy resulting in the -\$5M impact to revenue.

For FY 2016-17, the Learning Community would not receive nor spend any funds reflected in the negative expenditures and revenues of totaling -\$6,235,237. This \$6,235,237 is comprised of \$725,000 in state appropriation, \$540,237 in ESU Core Service and Technology funds, and \$5,000,000 in ELC levy funds.

While the above described the estimated direct fiscal impact to the budget of the Learning Community of Douglas and Sarpy Counties, there would also be fiscal impacts to each of the school districts within the Learning Community. Reverting back to the non-pooled state aid and individual levy would alter how much each district receives through state aid and how much each receives from property levies. Additionally, because formula resources and needs would no longer be pooled to determine the amount of equalization aid to be distributed to Learning Community school districts, those districts where resources exceed need would merely receive zero equalization aid instead of offsetting those districts where needs exceed resources. This would result in an increase in the aggregate amount of equalization aid to the Learning Community districts.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

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