

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$917,523,869	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$917,523,869	

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

LB475 amends §79-1001 to create the Nebraska Education Formula & terminates the Tax Equity & Educational Opportunities Support Act (TEEOSA).

For school fiscal year 2024-25 & each school year thereafter, each district will receive state aid based on the data from the immediately preceding school year for the district equal to the sum of:

- Four thousand seven hundred fifty dollars multiplied by the fall membership for each school within the district
- For any school district that is classified as a sparse school district or a very sparse school district, five hundred dollars multiplied by the fall membership for each school within the district
- One thousand six hundred dollars multiplied by the number of free lunch students for each school within the school district
- For any school for which the free lunch students equal at least fifty percent of the fall membership, an additional eight hundred dollars multiplied by the fall membership for that school
- One thousand six hundred dollars multiplied by the limited English proficiency students for each school within the school district

For any district for which the state aid received pursuant to TEEOSA for fiscal year 2023-24 exceeds the state aid calculated for school year 2024-25, the school district will, receive state aid for school year 2024-25 equal to the sum of:

- The state aid calculated for the school fiscal year
- Two-thirds of the amount by which the state aid received pursuant to TEEOSA for school year 2023-24 exceeds the state aid calculated for school fiscal year 2024-25

For any district for which the state aid received pursuant to TEEOSA for school year 2023-24 exceeds the state aid calculated for school year 2025-26, the district will receive state aid for school year 2025-26 equal to the sum of:

- The state aid calculated for the school year
- One-third of the amount of the state aid received pursuant to TEEOSA for school year 2023-24 exceeds the state aid calculated for school year 2024-25

To receive the state aid calculated in the Nebraska Education Formula, a district will limit class sizes to no more than:

- Twenty students in each classroom for students in early childhood education programs, kindergarten, & grades one through three with a paraeducator assisting in the classroom during the full school day for any classroom with sixteen to twenty students
- Twenty-two students in each classroom for students in grades four through eight with a paraeducator assisting in the classroom during the full school day for any classroom with eighteen to twenty-two students
- Twenty-five students in each classroom for students in grades nine through twelve with a paraeducator assisting in the classroom during the full school day for any classroom with twenty to twenty-five students

The Nebraska Department of Education (NDE) with assistance from the Property Tax Administrator, the Legislative Fiscal Analyst, & the budget division of the Department of Administrative Services, will annually, on or before November 15, 2023, & on or before November 15 of each year thereafter, provide an estimate of the necessary funding level for the next school year under the Nebraska Education Formula to the Governor, the Appropriations Committee of the Legislature, & the Education Committee of the Legislature.

On or before March 1, 2024, & on or before March 1 of each year thereafter, NDE will determine the amounts to be distributed to each district for the ensuing school fiscal year pursuant to the Nebraska Education Formula & will certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, & each district.

On or before March 1, 2024, & on or before March 1 of each year thereafter, NDE will report the necessary funding level for the ensuing school year to the Governor, the Appropriations Committee of the Legislature, & the Education Committee of the Legislature. The report submitted to the committees of the Legislature will be submitted electronically. Certified state aid amounts, including adjustments will be shown as budgeted non-property-tax receipts & deducted prior to calculating the property tax request in the district's general fund budget statement as provided to the Auditor of Public Accounts.

The amounts certified will be distributed in ten, as nearly as possible, equal payments on the last business day of each month beginning in September of each ensuing school year & ending in June of the following year, except that when a district is to receive a monthly payment of less than one thousand dollars, the payment will be one lump-sum payment on the last business day of December during the ensuing school year.

On or before March 1, 2024, & on or before March 1 of each year thereafter, NDE will determine & certify to each district budget authority for the general fund budget of expenditures for the ensuing school year, which will equal the general fund budget of expenditures for the immediately preceding school year grown by the base limitation. The special education budget of expenditures will not be subject to the limitations and will be excluded from the district budget authority & general fund budget of expenditures.

A district will not adopt a budget, that includes total requirements of depreciation funds, necessary employee benefit fund cash reserves, & necessary general fund cash reserves, exceeding the applicable allowable reserve percentages of total general fund budget of expenditures.

On or before March 1, 2024, & on or before March 1 each year thereafter, NDE will determine & certify each district's applicable allowable reserve percentage for the ensuing school year.

If a superintendent of a school district fails to file the fall school district membership report on or before the date required the district will not receive state aid for the ensuing school fiscal year.

If a district fails to submit to NDE or the auditor the budget documents required by the date established or fails to make any corrections of errors in the documents, the commissioner, upon notification from the auditor or upon their own knowledge that the required budget documents & any required corrections of errors from any district have not been properly filed in accordance with the Nebraska Budget Act & after notice to the district & an opportunity to be heard, will direct that any state aid granted pursuant to the Nebraska Education Formula be withheld until the time as the required budget documents or corrections of errors are received by the auditor & NDE. In addition, the commissioner will direct the county treasurer to withhold all school money belonging to the district until the commissioner notifies the county treasurer of receipt of the required budget documents or corrections of errors. If the district does not comply prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds will revert back to the General Fund. The amount of any reverted funds will be included in data reported by NDE.

The Appropriations Committee of the Legislature will annually include the amount necessary to fund the state aid that will be certified to districts on or before March 1, 2024, & on or before March 1 of each year thereafter for each ensuing school year in its recommendations to the Legislature to carry out the requirements of the Nebraska Education Formula.

TEEOSA will be applicable for state aid calculated & distributed for school years through school year 2023-24. TEEOSA will terminate on July 1, 2025.

EXPENDITURES:

The Nebraska Education Formula will increase the current estimated state aid amount of \$962,525,877 by \$917,523,869 for a grand total of \$1,880,049,746 for FY24-25.

The Nebraska Education Formula will increase the current estimated state aid amount of \$978,651,485 by \$891,593,531 for a grand total of \$1,870,245,016 for FY25-26.

It is reasonable to assume that the local resources needed to fund school districts would decrease as a result of the increase in state aid.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	475 (revised)	AM:	AGENCY/POLT. SUB: Nebraska Department of Education		
REVIEWED BY:	Gary Bush	DATE:	1/27/23	PHONE:	(402) 471-4161
COMMENTS: No basis to disagree with the agency on the fiscal impact of the bill. The assumptions used appear to be reasonable.					

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	475	AM:	AGENCY/POLT. SUB: Department of Revenue		
REVIEWED BY:	Gary Bush	DATE:	3/9/23	PHONE:	(402) 471-4161
COMMENTS: Agree with the estimate provided by the agency.					

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	475	AM:	AGENCY/POLT. SUB: State Auditor		
REVIEWED BY:	Gary Bush	DATE:	1/19/23	PHONE:	(402) 471-4161
COMMENTS: Agree with the agency that there would be no fiscal impact.					

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	475	AM:	AGENCY/POLT. SUB: Treasurer		
REVIEWED BY:	Gary Bush	DATE:	2/1/23	PHONE:	(402) 471-4161
COMMENTS: Agree with the estimate provided by the agency.					

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

2023

LB⁽¹⁾ 475 UPDATED

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NE Dept of Education

Prepared by: ⁽³⁾ Bryce Wilson/Kevin Lyons Date Prepared: ⁽⁴⁾ 1/26/23 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	\$70,000,000	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	\$70,000,000	=====

Explanation of Estimate:

LB 475 eliminates TEEOSA starting in 2024/25 and replaces it with the Nebraska Education Formula. The Nebraska Education Formula distributes State Aid as follows:

- \$4,750k per fall membership student
- Sparse/Very Sparse districts get an additional \$500 per fall membership student
- \$1,600 per free lunch student
- If free lunch students are over 50% of all fall membership districts gets an additional \$800 per student
- \$1,600 per LEP student

Schools would receive aid as noted above for 2024/25 plus 2/3 of the additional aid they received from TEEOSA in 2023/24 if their aid calculated less per the calculation above.

Schools would receive aid as noted above for 2025/26 plus 1/3 of the additional aid they received from TEEOSA in 2023/24 if their aid calculated less per the calculation above.

LB 4754 requires schools to meet the following class size limits in order to qualify to receive state aid. Maximum class size 20 in grades pk -3 (para for classes 16-20), 22 in grades 4-8 (para 18-22), and 25 in grades 9-12.

Additionally, budget authority for schools would be General Fund Operating Expenditures grown by the base limitation each year. SPED costs would be excluded from the budget authority limit. The maximum budget authority may be exceeded with a 2/3 majority vote of the district patrons.

NDE is not able to determine the 2/3 of aid amount of the calculation at this time but modeled the remaining pieces to the bill which totaled about \$70 million more than the TEEOSA amount certified for 2022/23.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2023-24	2024-25
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				\$70,000,000
Capital improvements.....				
TOTAL.....				\$70,000,000

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFO:				
Approved by: Glen White		Phone: 471-5896				
Date Prepared: 03/08/2023						
	FY 2023-2024		FY 2024-2025		FY 2025-2026	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds		\$ 0		\$ 0		\$ 0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$ 0		\$ 0		\$ 0

LB 475 provides that state aid will be calculated and distributed under the Tax Equity and Educational Opportunities Support Act (TEEOSA) through school fiscal year 2023-24 and terminates TEEOSA on July 1, 2025. State aid means the amount of assistance paid to a school district or unified system as defined in Neb. Rev. Stat. § 79-4,108 (district) under the Nebraska Education Finance Formula.

LB 475 adopts an act known as the Nebraska Education Formula (Act), which calculates the state aid for districts beginning with school fiscal year 2024-25 and thereafter.

On or before November 15, 2023 and each November 15 thereafter, the Department of Education with assistance from the Property Tax Administrator, Legislative Fiscal Analyst, and the budget division of the Department of Administrative Services must annually provide an estimate of the necessary funding level for the next school fiscal year under the Act to the Governor, Appropriations Committee, and the Education Committee. The Appropriations Committee must annually include the amount necessary to fund the state aid that will be certified to the districts on or before March 1, 2024 and each March 1 thereafter for each ensuing school fiscal year in its recommendation to the Legislature to carry out the requirements of the Act.

It is estimated that there will be minimal costs to the Department of Revenue to implement this bill.

The operative date for this bill is three months after adjournment.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>23-24 FTE</u>	<u>24-25 FTE</u>	<u>25-26 FTE</u>	<u>23-24 Expenditures</u>	<u>24-25 Expenditures</u>	<u>25-26 Expenditures</u>
Benefits.....							
Operating Costs.....							
Travel.....							
Capital Outlay.....							
Capital Improvements.....							
Total.....							

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2023

LB⁽¹⁾ 475

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Auditor of Public Accounts

Prepared by: ⁽³⁾ Craig Kubicek Date Prepared: ⁽⁴⁾ 1/19/2023 Phone: ⁽⁵⁾ 402-326-3063

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$0			
CASH FUNDS	\$0			
FEDERAL FUNDS	\$0			
OTHER FUNDS	\$0			
TOTAL FUNDS	\$0			

Explanation of Estimate:

Not a significant change to our current process.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

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

2023

LB⁽¹⁾ 475

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 25, 2023 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2023-24</u>		<u>FY 2024-25</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The State Treasurer's Office doesn't expect any fiscal impact from LB 475 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2023-24</u>	<u>2024-25</u>
	<u>23-24</u>	<u>24-25</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____