

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB 828 is the Empowerment Saving Account Act. The bill allows a parent or guardian of a student in a school district which is classified by the State Board of Education (NDE) at the lowest performance level to apply to NDE to have the department establish an empowerment savings account for a child who is eligible for free or reduced-price lunches beginning with the 2019-20 school year. Low performing school districts are to place 3% of the anticipated state average per pupil spending into each account established for an eligible student. Payments are to be made from funds available to the district and a district is not to seek additional revenue to fund such payments.

Parents and guardians have access to a student’s account via a debit card. The bill allows the accounts to be used for online programs approved by NDE, educational therapy or services, tutoring, testing fees and bank fees charged to manage the accounts. Parents submit itemized receipts for expenditures and school districts maintain records of all expenditures and keep the records for audit purposes. Any unused funds are returned to the school district on the last day of a school fiscal year. NDE may adopt rules and regulations to carry out the act.

NDE Impact: NDE will incur minimal costs to develop a rule and regulation pertaining to the act. It is assumed rule development can be handled with existing staff and resources of the department. There will also be a workload increase for the department to authorize the establishment of student savings accounts in low performing schools. It is assumed these responsibilities can also be handled with existing agency staff and resources.

School District Impact: NDE provided data showing there are currently 87 schools which have been classified as needing improvement in the most recent classification. There were also 35,125 children who received free or reduced-price lunches in these schools. However, the school lunch program is not offered in 14 of the schools. Using data on fall membership, it is assumed an additional 1,500 students are eligible for free or reduced-price lunches in these schools.

Schools are to deposit 3% of anticipated state average per pupil spending into each student’s account. It is estimated about \$13,440,000 will be deposited into student accounts per the bill based upon a FY2016-17 average per pupil cost of \$12,230 and assuming 36,625 students.

It is assumed impacted schools will need to reduce other expenditures by the amount allocated to the student savings accounts based upon the language in LB 828 which prohibits schools from seeking additional revenue to fund the bill. Schools will also incur unknown expenses to maintain records of all expenditures from each empowerment savings account. There may also be increased expenses relative to auditing such information.

Technical Note: “Anticipated state average per pupil spending” will need to be defined.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 828 AM: AGENCY/POLT. SUB: Department of Education

REVIEWED BY: Gary Bush DATE: 01/17/18 PHONE: [\(402\) 471-4161](tel:(402)471-4161)

COMMENTS: Unable to comment on a cost estimate as the Department of Education did not provide a cost estimate. The amounts shown in the narrative appear to be reasonable. The bill is silent on how the expenditures are to be counted within the TEEOSA formula. It is likely there would be an impact as the expenditures of the school districts would be increasing and this increase could lead to higher state aid in two years.

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

2018

LB⁽¹⁾ 828

FISCAL NOTE

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

Prepared by: (3) Bryce Wilson Date Prepared: (4) 1/10/18 Phone: (5) 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

Beginning with the 2019/20 school year LB 828 creates a savings account equal to three percent of the anticipated state average per pupil spending for eligible students. An eligible student is any student from K-12 in a school classified as a lowest performing school that is eligible to receive free or reduced price lunches. Schools with eligible students are required to submit the 3 percent to the department of education by the first Friday in September each year. The payments shall be made from available funds and the District shall not seek additional revenue to fund such payments.

Parents or guardians may use the empowerment savings for online programs approved by the department, educational therapy or services, tutoring services, testing fees and bank fees charged for the management of the empowerment savings account.

LB 828 would require NDE to develop a system and procedures for collecting payments from schools as well as tracking and setting up accounts for eligible students. NDE would also have to develop a rule to carry out the Empowerment Savings Account Act. Administrative costs to carry out these requirements would be significant. Based on the free/reduced counts at the current schools classified as lowest performing there would be in excess of 35,000 eligible students.

In addition to the Administrative costs incurred by NDE there would also be significant administrative costs incurred by schools to review and monitor the purchases. Schools would also likely see an increase in their audit fees as school district auditors would have to include these funds in their audit. A rough estimate of the cost to school districts to fund the empowerment savings account act would be in excess of \$12.5 million based on 35,000 eligible students and the 2015/16 statewide average per pupil cost of \$11,901.

The actual cost of this bill cannot be determined at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS	2018-19	2019-20
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	<u>18-19</u>	<u>19-20</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL.....			_____	_____