

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$57,155,525		\$46,558,458	
CASH FUNDS	\$4,325,237		\$4,907,074	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$61,480,762		\$51,465,532	

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

LB303 amends several sections concerning the Tax Equity & Educational Opportunities Support Act (TEEOSA) & also creates the School Finance Reform Commission.

School districts & multiple-district school systems can levy a maximum levy of:

- through FY2024-25, one dollar & five cents per one hundred dollars of taxable valuation of property subject to the levy
- for FY2025-26 & each fiscal year thereafter, one dollar & two cents per one hundred dollars of taxable valuation of property subject to the levy

The Nebraska Department of Education (NDE) will determine the foundation aid to be paid to each school district:

- through FY2024-24, foundation aid being paid to each school district will equal one thousand five hundred dollars multiplied by the number of formula students for that district
- for FY2025-26 & each school fiscal year thereafter, the foundation aid to be paid to each school district will be calculated as one thousand five hundred ninety dollars multiplied by the number of formula students for that district

Starting with the 2025-26 school year & each school fiscal year thereafter, NDE will calculate a base levy adjustment for each school district to adjust the calculated state aid amount for the ensuing school year prior to certification. The calculation of the base levy adjustment:

- the base levy will be equal to thirty cents per one hundred dollars of taxable valuation
- the potential general fund levy for the ensuing school year will equal the general fund levy for the school year immediately preceding the school year for which the aid is being calculated plus the potential general fund levy change calculated

If the potential general fund levy for the ensuing school year is less than the base levy, the difference between those amounts will be multiplied by the adjusted valuation & then divided by one hundred. That amount will then be subtracted from the state aid calculated for the upcoming school fiscal year to determine the adjusted amount of state aid to be distributed to the district in the upcoming school year.

The School Finance Reform Commission is created & will do as follows:

- evaluate the current formula under TEEOSA for funding education & make recommendations for adjustments or changes that may be necessary to help prevent the increase of local property taxes
- regularly review the resources side of the formula
- regularly review the needs side of the formula
- analyze options for how to minimize the negative impact on schools during times when the state may be unable to fully fund the formula

The commission will consist of eleven voting members & four consulting members for a total of fifteen members.

The eleven voting members will be:

- two members appointed to serve at the pleasure of the Governor
- the Chairperson of the Education Committee of the Legislature
- the Chairperson of the Revenue Committee of the Legislature
- the Chairperson of the Appropriations Committee of the Legislature
- a superintendent of a Class I school district appointed by the Governor
- a superintendent of a Class II school district appointed by the Governor
- two superintendents of a Class III school district appointed by the Governor
- a superintendent of a Class IV school district appointed by the Governor
- a superintendent of a Class V school district appointed by the Governor

The four nonvoting members will be:

- the Commissioner of Education or their designee
- the finance officer of NDE or their designee
- the Legislative Fiscal Analyst or their designee
- the budget administrator of the budget division of the Department of Administrative Services (DAS) or their designee

The members of the commission will serve for a term of two years or until their successor is appointed & qualified. If at any point a member no longer meets the qualification for that position on the commission, that member will vacate membership on the commission. Any vacancy in the commission will be filled in the same manner or qualification as the original appointment.

The commission shall annually elect a chairperson from among 20 its members. The commission shall meet at the call of the chairperson or 21 at the request of any five members and shall meet as often as necessary 22 to carry out its duties, but at least once per year.

By December 1 of each year, the commission will prepare & electronically deliver to the Clerk of the Legislature an annual report with the observations & recommendations developed for that year.

Since an emergency exists, this bill will take effect when passed & approved according to law.

FISCAL IMPACT:

Fiscal Year	Current TEEOSA Est.	LB303 Estimate	Change in TEEOSA
FY2025-26	\$1,192,430,823	\$1,253,911,585	\$61,480,762
FY2026-27	\$1,182,038,649	\$1,234,504,180	\$51,465,532
FY2027-28	\$1,201,494,910	\$1,253,223,381	\$51,728,471
FY2028-29	\$1,220,904,874	\$1,274,270,679	\$53,365,805

Because 24% of foundation aid is paid from the Education Future Fund, the total impact is split between General Funds and cash funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 303	AM:	AGENCY/POLT. SUB: Nebraska Department of Education	
REVIEWED BY: Kimberly Burns		DATE: 02/05/2025	PHONE: (402) 471-4171
COMMENTS: Agree with Nebraska Department of Education's estimate of total fiscal impact for FY 2025-26, but do not agree that 100% of that total will only impact General Funds. No basis to disagree with the department's assessment of indeterminate impact for FY 2026-27.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 303	AM:	AGENCY/POLT. SUB: Omaha Public Schools	
REVIEWED BY: Kimberly Burns		DATE: 01/23/2025	PHONE: (402) 471-4171
COMMENTS: Unable to provide comment, as no fiscal impact was provided for LB 303 by Omaha Public Schools.			

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

Prepared by: ⁽³⁾ Bryce Wilson

Date Prepared: ⁽⁴⁾ 2/5/25

Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$62,219,346		\$62,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$62,219,346		\$62,000,000	

Explanation of Estimate:

LB 303 makes the following three changes to the TEEOSA formula;

- Changes the Max levy from \$1.05 to \$1.02 which results in the Local Effort Rate changing from \$1.00 to \$.97.
- Increases foundation aid from \$1,500 per student to \$1,590 per student.
- Creates a Base Levy Adjustment which reduces TEEOSA aid if the potential General fund levy is less than \$.30.

Additionally, this bill voids any certification prior to the effective date of this bill and creates a new certification date of June 15th.

Last, this bill creates a School Finance Reform Commission.

NDE modeled the LB 303 with the current year data to determine the fiscal cost for FY 25/26. The cost for FY 26/27 was estimated to be similar to the cost for the current year but cannot be determined for sure at this time.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....			\$62,219,346	\$62,000,000
Capital improvements.....				
TOTAL.....			\$62,219,346	\$62,000,000

2025

FISCAL NOTE

Prepared by: (3) Shane Rhian Date Prepared: (4) 1/22/2025 Phone: (5) 531-299-9430

	FY 2025-26		FY 2026-27	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	Unknown	_____	Unknown
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	_____	_____	_____

Omaha Public Schools is currently unable to accurately project the fiscal impact of LB 303. OPS will complete an updated fiscal note once a preliminary model of TEEOSA for the 2025-26 school year is released by the Nebraska Department of Education.

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				