

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$691,000,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS			\$691,000,000	

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

LB1231 amends §79-1001 to adopt the Nebraska Education Formula & to terminate the Tax Equity & Educational Opportunities Support Act (TEEOSA).

TEEOSA will be applicable for the state aid calculation & distribution through the 2024-25 school year. TEEOSA will then terminate on July 1, 2026.

On or before March 1, 2025, & on or before March 1 of each year thereafter, the Nebraska Department of Education (NDE) will determine the amounts to be distributed to each district for the ensuing school year pursuant to the Nebraska Education Formula & will certify those amounts to the Director of Administrative Services, the Auditor of Public Accounts, & each school district.

On or before March 1, 2025, & on or before March 1 of each year thereafter, NDE will report the necessary funding level for the ensuing school fiscal year to the Governor, the Appropriations Committee of the Legislature, & the Education Committee of the Legislature. Certified state aid amounts, including adjustments pursuant to §79-1065.02, 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.

On or before March 1, 2025, & on or before March 1 of each year thereafter, NDE will determine & certify to each school district their budget authority for the general fund budget of expenditures for the ensuing school fiscal year, which will equal the general fund budget of expenditures for the immediately preceding school year grown by the base limitation pursuant to §77-3446. The special education budget of expenditures will not be subject to the limitations & will be excluded from the school district budget authority & general fund budget of expenditures. A district can exceed the budget authority for their general fund budget of expenditures prescribed by the Nebraska Education Formula by an amount approved by a two-thirds majority of legal voters voting on the issue at a primary, general, or special election.

On or before March 1, 2025, & on or before March 1 each year thereafter, NDE will determine & certify each district's applicable allowable reserve percentage for the ensuing school fiscal year.

For school fiscal year 2025-26 & each school year thereafter, each district will receive state aid based on data from the immediately preceding school year for that district equal to the sum of:

- \$4,750 multiplied by the fall membership
- For any school district that is classified as a sparse school district or a very sparse school district, \$500 multiplied by the fall membership
- \$1,600 multiplied by the number of free lunch students
- For any school where the free lunch students equal at least fifty percent of the fall membership, an additional \$800 multiplied by the fall membership
- \$1,600 multiplied by the Limited English Proficiency (LEP) students

For any district that receives TEEOSA aid for the 2024-25 school year that exceeds the state aid calculated for the 2025-26 school year, that school district will receive state aid for the 2025-26 school year equal to the sum of:

- The state aid calculated for that school year
- Two-thirds of the amount by which the state aid received from TEEOSA for school year 2024-25 exceeds the state aid calculated for school year 2025-26

For any district that receives TEEOSA aid for the 2024-25 school year that exceeds the state aid calculated for the 2026-27 school year, that school district will, receive state aid for the 2026-27 school year equal to the sum of:

- The state aid calculated for that school year
- One-third of the amount by which the state aid received from TEEOSA for school fiscal year 2024-25 exceeds the state aid calculated for school fiscal year 2025-26

If a superintendent fails to file the fall membership report on or before the date required, that school district will not receive state aid pursuant to the Nebraska Education Formula for the ensuing school fiscal year.

To receive state aid through the Nebraska Education Formula, districts 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 para-educator 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

EXPENDITURES:

The current TEEOSA estimate for the 2024-25 school year is \$1,164,000,000. The calculation of the Nebraska Education Formula for the 2024-25 school year is estimated at \$1,855,000,000, which is an increase of \$691,000,000.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1231	AM:	AGENCY/POLT. SUB: Nebraska Department of Education
REVIEWED BY:	Gary Bush	DATE:	2/15/24
		PHONE:	(402) 471-4161
COMMENTS: The estimate of the fiscal impact of the bill appears to be reasonable given the assumptions use. The agencies estimate of the impact to TEEOSA appears to be reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1231	AM:	AGENCY/POLT. SUB: Nebraska Auditor of Public Accounts
REVIEWED BY:	Gary Bush	DATE:	1/22/24
		PHONE:	(402) 471-4161
COMMENTS: Agree with the agency estimate of no fiscal impact to the state.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1231	AM:	AGENCY/POLT. SUB: Department of Administrative Services
REVIEWED BY:	Gary Bush	DATE:	1/30/24
		PHONE:	(402) 471-4161
COMMENTS: Agree with the agency of no fiscal impact.			

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

2024

LB⁽¹⁾ 1231

FISCAL NOTE

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

Prepared by: ⁽³⁾ Craig Kubicek Date Prepared: ⁽⁴⁾ 1/18/2024 Phone: ⁽⁵⁾ 402-326-3063

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$0		\$0	
CASH FUNDS	\$0		\$0	
FEDERAL FUNDS	\$0		\$0	
OTHER FUNDS	\$0		\$0	
TOTAL FUNDS	\$0		\$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>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 1231

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS)

Prepared by: ⁽³⁾ Jennifer Sommars-Link Date Prepared: ⁽⁴⁾ 1/19/2024 Phone: ⁽⁵⁾ 402-471-1405

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</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:

LB 1231 is a bill to create a system of financing the public school system.

The bill requires that on or before March 1, 2025, and each year thereafter, the Department of Education (the "Department") certify the amount of General Funds to be distributed to each district for the "ensuing school fiscal year" to the Director of Administrative Services ("DAS") and the Auditor of Public Accounts. LB 1231 also requires the DAS - Budget Division to assist the Department annually in providing an estimate of the necessary funding level for the next school fiscal year on or before November 15, 2024, and each year thereafter.

These duties are within DAS's normal course of business.

LB 1231 has no fiscal impact to the Department of Administrative Services.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</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.

2024

LB⁽¹⁾ 1231

FISCAL NOTE

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

Prepared by: ⁽³⁾ Bryce Wilson Date Prepared: ⁽⁴⁾ 1/19/24 Phone: ⁽⁵⁾ 402-471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2024-25</u>		<u>FY 2025-26</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	<u>\$691,000,000</u>	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>\$691,000,000</u>	<u>_____</u>

Explanation of Estimate:

LB 1231 eliminates TEEOSA starting in 2025/26 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 2025/26 plus 2/3 of the additional aid they received from TEEOSA in 2024/25 if their aid calculated less per the calculation above.

Schools would receive aid as noted above for 2026/27 plus 1/3 of the additional aid they received from TEEOSA in 2024/25 if their aid calculated less per the calculation above.

LB 1231 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.

Using the 2024/25 TEEOSA information to calculate the required amount for the Nebraska Education Formula resulted in \$1,855,000,000 an increase of \$691 million from the 2024/25 model of TEEOSA.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2024-25</u>	<u>2025-26</u>
	<u>24-25</u>	<u>25-26</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				\$691,000,000
Capital improvements.....				
TOTAL.....				\$691,000,000