

School Finance 101

Understanding State Aid and Budget Presentation Tool Kit

NASB Conference

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2012-13 State Aid Formula

Needs - Resources = State Aid

Average Daily Membership
X
Basic Funding
Plus Allowances/Adjustments

Adjusted Valuation
X
Local Effort Rate
(currently \$.0105 below max. levy)
Plus Other Actual Receipts

Other Considerations/Allowances:

- * Poverty Allowance
- * Limited English Proficiency Allowance
- * Transportation Allowance
- * Elementary Class Size Allowance
- * Summer School Allowance
- * Special Receipts Allowance
- * Distance Education Allowance
- Teacher Education Allowance
- * Averaging Adjustment
- * Student Growth Adjustment
- * New School Adjustment
- Local Choice Adjustment
- Instructional Time Allowance
- Needs Stabilization
- Elementary Site Allowance
- Focus School & Program Allowance
- Learning Community Transportation Adjustment

Other Formula Resources

- Net Option Funding
- Allocated Income Taxes
- Other Actual Receipts
- Minimum Levy Adjustment
- Retirement Aid

*LPS allowance/adjustments affecting needs.

Need more information or want to share comments?

Look at our web site and see the
budget book and work session materials at
<http://www.lps.org/about/budget/>

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2012 School Finance Made Easy (?)

Nebraska Public School Funding = \$3,280,043,852

State Funds + Property Taxes + Federal Funds + Misc. Receipts

(\$1,123,155,067 - 34%) + (\$1,598,269,722 - 49%) + (\$472,650,300 - 14%) + (\$85,968,763 - 3%)

State Funds = \$1,123,155,067

TEEOSA + Special Education + Homestead + Prop. Tax Credits + School Lands + Other

(\$809,951,373 - 72%) + (\$177,135,073 - 16%) + (\$30,492,288 - 3%) + (\$44,425,903 - 4%) + (\$42,388,417 - 4%) + (\$18,762,012 - 2%)

TEEOSA = \$1,008,772,828

Equalization Aid + Net Option + Income Tax Rebate + Retirement Aid (+ or -) Misc.

(\$912,422,794 - 90%) + (\$61,924,329 - 6%) + (\$20,365,487 - 2%) + (\$15,000,000 - 2%) + (-\$939,784 - 0%)

* Data is for the 2010-11 School Fiscal Year

* TEEOSA = Tax Equity and Educational Opportunities Support Act

* TEEOSA Aid for 2010-11 includes \$140,287,176 in federal ARRA funding and \$58,610,740 in federal EduJobs funding

* TEEOSA Aid for the 2012-13 School Fiscal Year is \$852,114,231 and does not include any federal funding

Tax Equity and Educational Opportunities Support Act (TEEOOSA)

Equalization Aid = Needs - Resources

Needs = Basic Funding + Allowances (+ or -) Adjustments
(+ or -) Corrections (+ or -) Stabilization

Resources = Yield from LER + Rebate + Net Option
+ Retirement Aid (ending prior to 2014-15 aid)
Other Receipts + Minimum Levy Adjustment
- Property Tax Refunds (beginning with 2012-13 aid)

Needs = Basic Funding + Allowances (+ or -) Adjustments (+ or -) Corrections (+ or -) Stabilization

Basic Funding: the estimated amount required to generally operate a school district with a specified number of students based on historical averages

Allowance: an amount based on estimated or actual expenses for a specified situation which is subtracted prior to the calculation of the historical averages and added to the need of an individual district

Adjustment: an amount added to or subtracted from the need of an individual district to address a specified situation without being subtracted from the historical averages

Correction: an amount added or subtracted from the need of an individual district to correct for an allowance or adjustment that was too low or too high in a prior year

Stabilization: an amount added or subtracted from the need of an individual district to keep the need for that district from growing or declining by more than a specified rate

Students

Formula Students for Certification:

Fall Membership for the prior year adjusted by the district's historical ratio of Average Daily Membership (ADM) to Fall Membership for the 3 preceding school fiscal years

+ 60% of the Qualified Early Childhood Fall Membership for the prior year, which has been adjusted by the ratio of planned instructional hours divided by 1032 hours

+ students contracted to another district for education services for the prior year

Formula Students for Respin:

ADM for the prior year

+ 60% of the Qualified Early Childhood ADM for the prior year, which has been adjusted by the ratio of actual instructional hours divided by 1032 hours

+ students contracted to another district for education services for the prior year

** Respin refers to the recalculation of aid the next year using more accurate data resulting in prior year aid corrections*

General Fund Operating Expenditures (GFOE)

General Fund: the general fund contains most school resources, except those used for facility construction, the school lunch fund, activity funds, and other separate miscellaneous funds

GFOE: includes most general fund expenditures, with specified exceptions including expenditures related to: receipts not included as resources; categorical funds; legal expenses above 0.15% of formula need; retirement incentives and staff development assistance associated with reorganizations; early termination agreements prior to July 1, 2009 or between the end of the 2010-11 school year and the beginning of the 2013-14 school year; retirement contributions above 7.37% for Class V districts or 7.35% for all other districts for 2009-10 through 2016-17; proceeds from levy overrides; lobbyist fees and expenses; and transfers between funds

Cost Growth Factor: equals the sum of the basic allowable growth (BAG) for the aid year and the BAG for the prior year and is used to grow the GFOE to bring 2-year-old expenditures current

- BAG = 0% for 2011-12; 0.5% for 2012-13; and 2.5% thereafter
 - Cost Growth Factor for 2012-13: $0.5\% + 0\% = 0.5\%$
 - Cost Growth Factor for 2013-14: $2.5\% + 0.5\% = 3.0\%$
 - Cost Growth Factor for Thereafter: $2.5\% + 2.5\% = 5.0\%$

Adjusted GFOE: GFOE grown by the cost growth factor minus all allowances

Basic Funding

Comparison Groups: each district is placed in a comparison group with the 10 larger and 10 smaller districts in terms of formula students, except that if there are not 10 larger or 10 smaller, the comparison group has fewer districts

Below 900 Students: basic funding equals the average adjusted GFOE of the districts in the comparison group, excluding the 2 highest and 2 lowest cost districts in the group

Above 900 Students: basic funding equals the formula students for the district times the average adjusted GFOE/formula student of the districts in the comparison group, excluding the 2 highest and 2 lowest cost districts in the group

Basic Funding Example 1

District	Students	Adjusted GFOE	Adjusted GFOE/Student	
A	79	1,522,000	19,266	
B	86	1,150,000	13,372	Lowest Adjusted GFOE
C	91	2,025,000	22,253	Highest Adjusted GFOE
D	95	1,176,000	12,379	2 nd Lowest Adjusted GFOE
E	98	1,179,000	12,031	
F	100	1,214,000	12,140	
G	101	1,469,000	14,545	
H	102	1,576,000	15,451	
I	102	1,716,000	16,824	
J	103	1,554,000	15,087	
K	106	1,238,000	11,679	
L	110	1,415,000	12,864	
M	110	1,642,000	14,927	
N	111	1,992,000	17,946	2 nd Highest Adjusted GFOE
O	113	1,763,000	15,602	
P	116	1,527,000	13,164	
Q	117	1,542,000	13,179	
R	127	1,941,000	15,283	
S	128	1,241,000	9,695	
T	128	1,899,000	14,836	
U	131	1,830,000	13,969	
V	131	1,735,000	13,244	
W	135	1,843,000	13,652	

District G Basic Funding = \$1,489,000

$(1,522,000+1,179,000+1,214,000+1,469,000+1,576,000+1,716,000+1,554,000+1,238,000+1,415,000+1,642,000+1,763,000+1,527,000+1,542,000)/13$

Basic Funding Example 2

District	Students	Adjusted GFOE	Adjusted GFOE/Student	
A	801	6,681,000	8,341	
B	832	6,251,000	7,513	
C	850	7,852,000	9,238	2 nd Highest Adjusted GFOE/Student
D	857	5,505,000	6,424	
E	862	6,281,000	7,287	
F	876	7,088,000	8,091	
G	896	8,069,000	9,006	
H	905	5,787,000	6,394	2 nd Lowest Adjusted GFOE/Student
I	912	6,328,000	6,939	
J	917	8,042,000	8,770	
K	945	7,205,000	7,624	
L	976	9,873,000	10,116	Highest Adjusted GFOE/Student
M	1,106	8,195,000	7,410	
N	1,206	9,083,000	7,532	
O	1,210	9,683,000	8,002	
P	1,274	8,592,000	6,744	
Q	1,318	9,100,000	6,904	
R	1,321	7,753,000	5,869	Lowest Adjusted GFOE/Student
S	1,339	9,297,000	6,943	
T	1,353	10,406,000	7,691	
U	1,377	9,867,000	7,166	
V	1,526	11,946,000	7,828	
W	1,621	9,951,000	6,139	

District L Basic Funding = (\$7,526/student) x 976 students = \$7,345,532

$(7,513 + 6,424 + 7,287 + 8,091 + 9,006 + 6,939 + 8,770 + 7,624 + 7,410 + 7,532 + 8,002 + 6,744 + 6,904 + 6,943 + 7,691 + 7,166 + 7,828) / 17 = 7,526$

Allowances

Transportation: lesser of actual cost or 400% of state mileage reimbursement rate (\$2.00/mile for 12-13) for route miles + in-lieu-of transportation paid to parents

Distance Education & Telecommunications: 85% of costs for telecommunications services, access to data transmission networks, and the transmission of data on such networks minus E-Rate receipts from the federal Universal Service Fund

Summer School: 85% of the average GFOE per formula student (\$8,156.28 for 12-13) for 2.5% of the summer school student units, which are awarded for each summer school student enrolled for between 3 and 6 hours and between 12 and 24 days based on attendance with additional units for remedial reading and math students and for free lunch students

- beginning with 2012-13, 60% of a summer school student unit is awarded on the same basis as regular summer school student units for each early childhood education student in a qualified program who will be eligible for kindergarten the following fall
- summer school student units are not calculated for districts that collect fees from students qualifying for free or reduced-price lunches

Focus School & Program: 10% of the average GFOE per formula student (\$959.56 for 12-13) for each student in a focus school or program approved by a learning community

Teacher Education: for school districts with above average teacher education, formula students multiplied by 8.5% of the average *GFOE* per formula student (\$815.63 for 12-13) then multiplied by the percent the district is above the statewide average for teacher education points per teacher (0.46996 for 11-12), with 1 point for each teacher with a Master or Education Specialist Degree and 2 points for each teacher with a Doctorate degree

Instructional Time: for school districts with above average instructional hours, formula students multiplied by 85% of the average *GFOE* per formula student (\$8,156.28 for 12-13) and then multiplied by the percent the district is above the statewide average instructional hours

Elementary Class Size: 20% of average *GFOE* per formula student (\$1,919.13 for 12-13) for each student in grades K-3 who spends 50% of the school day in a classroom with 10 to 20 students

- elementary class size allowance will no longer be in effect for 2013-14

Elementary Site: 500% of the average *GFOE* per formula student (\$47,978.12 for 12-13) for each 8 elementary students (up to the number of elementary grades offered) in a qualifying building, which:

- cannot be the primary elementary in the district or only elementary in the district
- cannot average more than 15 students per grade
- must be more than 7 miles from the other elementary buildings in the district or the only elementary in an incorporated city or village

Special Receipts: special education, state ward, and accelerated or differentiated curriculum program receipts

Limited English Proficiency (LEP): the lesser of the amount requested by the district or 25% of the average GFOE per formula student (\$2,398.91 for 12-13) for each LEP student

- 12 students are attributed to districts with between 1 and 12 LEP students
- for growing LEP populations, additional LEP students are attributed to districts in an amount equal to the actual LEP students minus the average for the past 3 years

Poverty: the lesser of the amount requested by the district or the average GFOE per formula student (\$9,595.62 for 12-13) for each poverty student multiplied by a factor:

- 0.0000 for poverty students constituting the first 5% of formula students
- 0.0375 for poverty students constituting 5 - 10% of formula students
- 0.0750 for poverty students constituting 10 - 15% of formula students
- 0.1125 for poverty students constituting 15 - 20% of formula students
- 0.1500 for poverty students constituting 20 - 25% of formula students
- 0.1875 for poverty students constituting 25 - 30% of formula students
- 0.2250 for poverty students constituting more than 30% of formula students

LEP & Poverty Corrections: compares most recently available poverty and LEP expenditures to allowances and plans for the year when the expenditures occurred

- if the allowance was more than 85% of the amount spent, subtract the excess allowance
- if expenditures are less than 50% of allowance, district disqualified for current year
- if plan requirements not met, subtract 50% of allowance and district disqualified for current year

** For LEP and Poverty Allowances, districts must submit a plan and the allowance can only account for up to 85% of the amount actually spent*

Adjustments

Local Choice: for districts that are not sparse or very sparse with less than 390 students, minus 50% of the difference between the district's basic funding per formula student and the basic funding per formula student for the district with the closest to 390 formula students (\$9,564.20 for 12-13) multiplied by the district's formula students

Averaging: for qualifying districts, plus the formula students multiplied by a percentage of the difference between the averaging threshold (\$7,055.03 for 12-13) and the district's basic funding per formula student using the following percentages:

- 50% for levies between \$1.00 and \$1.01
- 60% for levies between \$1.01 and \$1.02
- 70% for levies between \$1.02 and \$1.03
- 80% for levies between \$1.03 and \$1.04
- 90% for levies of at least \$1.04

Averaging threshold is 100% of the lesser of the previous threshold increased by the basic allowable growth rate or the statewide average basic funding per formula student

New Learning Community Transportation: for districts during the first 2 years of open enrollment in a learning community, the estimated increase in transportation costs due to open enrollment

- Douglas/Sarpy County Learning Community districts received the adjustment for 2010-11 & 2011-12

New School: for new schools, expansions, and remodeling to provide additional student capacity, the basic funding per formula student times 20% of the estimated new capacity for the 1st year and 10% of the new capacity for the 2nd year

Student Growth: for districts estimating student growth to exceed the greater of 25 students or 1% of the fall membership, the adjustment equals the basic funding per formula student multiplied by the student growth over the qualifying threshold plus 50% of the basic funding per formula student multiplied by the qualifying threshold

Student Growth Correction: an addition or subtraction based on changes in the calculation of the student growth adjustment caused by comparing the estimated student growth with actual ADM

Stabilization

Need Stabilization: if the change in calculated formula need for any district from one year to the next is outside of the range of 100% to 112%, the need is adjusted to fit within the range, unless the growth exceeds the range and the district receives a student growth adjustment

$$\text{Resources} = \text{Yield from LER} + \text{Net Option} + \text{Rebate} + \text{Retirement Aid} + \text{Other Receipts} + \text{Minimum Levy Adjustment} - \text{Property Tax Refunds}$$

Local Effort Rate (LER): for 2011-12 and 2012-13, a rate \$0.0105 below the maximum levy used to hold property accountable as a resource, and for all other years, a rate \$0.050 below such maximum levy

- \$1.0395/\$100 of adjusted value for 2011-12 and 2012-13
- \$1.00/\$100 of adjusted value for all other years

Adjusted Valuation: the value of property used to hold property accountable as a resource in the formula is set at 96% of actual value for residential and commercial and 72% for agricultural land

Yield from LER: the amount of property tax counted as a resource, which equals the adjusted valuation for the district multiplied by the LER

Net Option Funding: for districts with more students optioning in than optioning out, the difference between the number of students optioning in minus the number optioning out multiplied by the average basic funding per formula student (\$7,628.23 for 12-13)

Allocated Income Tax (Rebate): a percent of Nebraska income taxes collected from district residents calculated by subtracting net option funding (\$57,288,014.40 for 12-13), and for 2012-13, subtracting an additional \$21 million, from a set amount (\$102,289,817) to arrive at the total rebate (\$24,001,802.50 for 12-13) and dividing by the statewide resident income taxes

- \$102,289,817 is the amount that was appropriated for rebate for 1992-93

Retirement Aid: \$15 million distributed proportionately based on total salaries for 2009-10 through 2013-14 to assist with a temporary increase in employer contributions

Other Receipts: receipts from public power district sales taxes, fines and license fees, tuition, transportation, interest, special education, state wards, educational lands and funds, motor vehicles, non-categorical federal funds, and other specified sources are counted as resources in the formula

Minimum Levy Adjustment: for school districts that have a levy below \$0.95 or learning communities that have a common levy below \$0.90, the minimum levy adjustment equals the difference between the actual levy and the minimum levy, applied to the adjusted valuation, and the adjustment is added to the resource calculation and subtracted from district's allocated income tax (rebate)

Property Tax Refunds: beginning with 2012-13 aid, property tax refunds paid by a district will be subtracted from the district's resources

The End (Was that so bad?)

This document was assembled based on information from the Revised Statutes of Nebraska (2012), the Legislative Fiscal Office, and the Nebraska Department of Education's "Tax Equity and Educational Opportunities Support Act Certification of 2011/12 State Aid," which may be found at:

<http://www.education.ne.gov/FOS/SchoolFinance/StateAid/Downloads/1112/TEEOSADocument.pdf>

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