

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

<b>LRB #</b> 99-2186/5
<b>INTRODUCTION #</b> AB 631
<b>Admin. Rule #</b>

**Subject**

Eliminate School Levies Credit and School Aid Formula Changes

**Fiscal Effect**

**State:**  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

<input checked="" type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Decrease Existing Appropriation	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Decrease Costs	

**Local:**  No Local Government Costs

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>special districts</u> <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

s. 20.255 (2) (ac) and (bc), 20.835 (3) (b)

**Assumptions Used in Arriving at Fiscal Estimate:**

Under current law, municipalities receive a school levies credit from the state. The credit is distributed to municipalities based on their share of statewide school levies in the previous three years and allocated to taxpayers in proportion to their share of their municipality's total assessed value. Municipalities treat the credit as if it was a payment of property taxes. The credit, which is paid by the state on the 4th Monday in July, is funded at \$469.3 million and offset or paid about 7.5% of total levies for 1999/2000. Under the bill, the school levies credit is repealed.

Under current law, school equalization aids are calculated using a 3-tier (primary, secondary, and tertiary) formula under which the total aid payment may not be less than the primary level aid. Also under current law, for aid calculation purposes, pupils with special needs are given no extra weighting. Under the bill, school equalization aids rise by \$469.3 million, the amount now distributed as the school levies credit. The additional aid is paid on the 4th Monday in July, the same day the levies credit is paid. Also under the bill, aids under the 3-tier formula could not be less than zero. Finally, pupils in programs for children-at-risk and pupils who qualify for free or reduced-price lunches are counted as 1.2 pupils for aid payment purposes.

The bill has the following fiscal effects:

State school aids

The additional \$469.3 million (a 12.5% increase based on the 1999/2000 appropriation) would increase equalization aid for nearly all school districts. However, allowing the sum of aids under the 3-tier formula to be zero reduces equalization aid to a few districts with very high equalized value per pupil. Weighting at 1.2 children-at-risk and pupils receiving free or reduced-price lunches shifts aid to districts where such pupils form a higher than average percentage of the student population.

(continued on page two)

**Long-Range Fiscal Implications:**

<b>Agency/Prepared by: (Name &amp; Phone No.)</b>	<b>Authorized Signature/Telephone No.</b>	<b>Date</b>
Wisconsin Department of Revenue Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	1/20/2000

Property tax levies

Assuming no change in school spending, school levies would decrease by \$469.3 million. This would be offset by the elimination of the school levies credit, resulting in no change in the statewide total net property tax levy. However, significant changes in net taxes and tax rates for individual localities would occur. In general, communities in school districts with low per pupil equalized values and higher than average percentages of pupils considered at risk or from low-income families will have lower taxes. The department does not have the data needed to estimate individual school district aid changes or net tax rate changes for individual municipalities.

Cash flow and property tax settlement

The statewide total net property tax levy is not affected by the bill, but the timing of tax collections by individual taxing jurisdictions is expected to change.

At final settlement of the property tax roll (which is usually in mid-August), each municipality's school levies credit is distributed to the various taxing jurisdictions (state, county, technical college, municipality, special districts, and school districts) in proportion to their share of the total tax levy in that municipality.

Based on estimated 1999/2000 levies, the school district share of the credit payment at settlement in August 2000 will be about \$212 million. Under the bill, \$469.3 million is paid directly to school districts on the 4th Monday in July, so the bill will delay when school districts receive about \$257 million (\$469.3 million - \$212 million) in state funds. This could lead to increased short-term borrowing by school districts.

In contrast, the bill will accelerate receipt of \$257 million by other taxing jurisdictions, which could reduce their need for short-term borrowing.