

Fiscal Estimate - 2001 Session

Original Updated Corrected Supplemental

LRB Number 01-3627/3		Introduction Number AB-637	
Subject			
School construction board			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget			
<input checked="" type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties <input type="checkbox"/> Others		<input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.255 (2) (ac)			
Agency/Prepared By		Authorized Signature	Date
DPI/ Keith Pollock (608) 266-1344		Michael Bormett (608) 266-2804	12/5/01

Fiscal Estimate Narratives

DPI 12/6/01

LRB Number 01-3627/3	Introduction Number AB-637	Estimate Type Updated
Subject		
School construction board		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, school districts may incur debt if: 1) local electors approve a referendum. These debt service expenditures are exempt from a district's revenue limit; or 2) a school board, under certain circumstances, passes a resolution for that purpose. These debt service expenditures are included under a school district's revenue limit.

Currently, the state is committed to fund two-thirds of partial school revenues (state school aid and local school property taxes less certain exceptions). Currently, debt service expenditures are included in the state's definition of partial school revenues. This bill would exclude debt service on debt incurred by school districts to finance construction projects other than the construction of academic classrooms from the state's definition of partial school revenues.

Under current law, a school district's shared cost is determined by subtracting certain deductible receipts from the gross cost of a district's general fund and its debt service fund. This bill would exclude debt service on debt incurred by school districts to finance construction projects other than the construction of academic classrooms from a district's shared costs.

This estimate attempts to determine the fiscal effects of this bill if it were enacted in the 2000-01 school year.

In order to estimate the amount of debt service expended to finance construction projects other than academic classrooms, successful 2000-01 debt service referenda were analyzed to determine the percentage of non-academic classroom construction projects. It is estimated that roughly 49% of the total value of these referenda funded purposes other than funding new classroom construction projects. Athletic facility repairs, classroom renovation projects, land purchases, and information technology upgrades are examples of referenda funded projects that are not considered academic classrooms construction for the purposes of this estimate. Furthermore, it is also assumed that non-referenda debt service is generally used to fund repairs and renovations because the amount a school district may levy into this fund is constrained by its revenue limit.

It is assumed that successful 2000-01 debt service referenda were a representative subset of that year's total debt service expenditures in terms of classroom construction and, therefore, 49% of the total \$439.4 million in 2000-01 referenda debt service (\$215.3 million) would be non-academic classroom construction. Thus under this bill, \$215.3 million in debt service expenditures would be excluded from the definition of partial school revenues. As stated previously, it is assumed that all 2000-01 non-referenda debt service expenditures (\$23.0 million) would be excluded from partial school revenues. In 2000-01, it is estimated that school districts statewide spent a total of roughly \$238.3 million (\$215.3 million + \$23.0 million) in debt service to fund non-classroom construction and, thus, partial school revenues would be reduced by this amount.

State fiscal effect:

The reduction of \$238.3 million from partial school revenues would require the state to reduce general school aids by roughly \$158.9 million ($\frac{2}{3} \times \238.3 million) in order to meet the state's two-thirds funding commitment.

Local fiscal effects:

Because this provision does not affect school districts' revenue limits, the reduction of \$158.9 million in general school aids would allow school districts statewide to increase their local property tax levies by this amount.

The \$158.9 million reduction of general school aids would significantly decrease the amount of state aid received by the vast majority of school districts. Furthermore, the exclusion of debt service on debt incurred by school districts to finance construction projects other than the construction of academic classrooms from a district's shared costs would have significant redistributive effects among school districts. Shared cost is an important factor in the state's equalization aid formula. This bill would reduce any school district with debt service expenditures from that district's shared costs. The effects of that reduction would affect different types of districts in different manners. Generally, this provision would redistribute general school aids from lower-

value, lower-cost districts to higher-value, higher-cost districts.

Long-Range Fiscal Implications