

Fiscal Estimate Narratives

DPI 05/18/2001

LRB Number 01-3161/1	Introduction Number SB-182	Estimate Type Original
Subject		
Eliminate delay in school aid payments		

Assumptions Used in Arriving at Fiscal Estimate

This bill would phase out the current \$75 million GPR general school aid delayed payment made to school districts in July of the following school year. The bill would reduce the amount of the delayed payment to: \$56,250,000 GPR in the 2001-02 school year, \$37,500,000 GPR in the 2002-03 school year, \$18,750,000 in the 2003-04 school year, and to zero thereafter.

State fiscal effect:

The state would be required to provide an additional \$18,750,000 GPR in 2001-02, 2002-03, 2003-04 and 2004-05 in order to phase out the \$75 million delayed general school aid payment under the method provided by the bill. Furthermore, the elimination of this delayed payment could be viewed as a positive factor by bond rating agencies and thus could potentially reduce the cost of future state debt issuance.

Local fiscal effect:

Under current law, school districts' general school aid payments in the current fiscal year are reduced by a \$75 million delayed payment paid in the subsequent fiscal year. This bill would reduce and, after four years, eliminate the reduction in a school district's aid due to this delayed payment. Currently, certain school districts claim that they are required to pay interest on short-term borrowing to offset their aid reduction due to the delayed payment. This bill would reduce and eventually eliminate any need for a school district to make short-term loans to offset a delayed aid payment.

Long-Range Fiscal Implications