

Fiscal Estimate Narratives

DPI 11/6/2015

LRB Number	15-2893/2	Introduction Number	AB-0481	Estimate Type	Original
Description Limitations on borrowing by school districts and the use by school districts of resolutions and referenda to authorize bonding for capital projects or increase revenue limits and scheduling of school district referendums to exceed revenue limits					

Assumptions Used in Arriving at Fiscal Estimate

This bill provides that, if a school board applies for or adopts a resolution to borrow money, or adopts a resolution to increase revenue through any of the mechanisms identified in the bill (loan and bond issues, revenue limit exemptions, temporary borrowing, State Trust fund loans, Promissory Notes), and the application, resolution, or referendum is rejected by a majority of the electors of the school district, the school board may not use any of the mechanisms identified in the bill to borrow money or raise revenue for two consecutive 365-day periods (two years).

If a school district experiences a natural disaster, including a fire, the prohibitions established in the bill do not apply for the six-month period immediately following the natural disaster. However, there is no exception in the bill for emergency situations that would not be considered a natural disaster.

Also under this bill, unless the school board experiences a natural disaster, including a fire, a school board may schedule a referendum for the purpose of submitting to the electors of a school district a resolution to increase the school district's revenue limit only concurrently with a spring or fall general elections. A spring election is held annually on the first Tuesday in April. The general election occurs in even-numbered years on the Tuesday following the first Monday in November. In any school year in which a school district experiences a natural disaster, the school board may call a special referendum on the resolution, provided the special referendum is held not sooner than 70 days after the resolution is filed.

State: There is no fiscal effect to the state as a result of this bill.

Local: This bill prevents a school board from proposing a new referendum request, or adopting a resolution to increase revenue through any of the mechanisms identified in the bill, for two years after a resolution or referendum is rejected by a majority of district electors. This prohibition extends to any revenue increases that make use of any kind of borrowing allowable to school districts under current law, including short term borrowing. School districts rely on short term borrowing to manage cash flow, which is necessitated by: 1) the schedule of state aid payments throughout the year (state aid is not distributed evenly throughout the year); and 2) the receipt of the majority of the district's tax levy revenue in the month of August (tax levy set in the fall, but received in August after the school year ends). This blanket, two year suspension of a school district's authority to borrow could have a significant impact on school district operations and could force districts to spend down cash reserves in order to meet operational costs before the next round of state aid payments.

The only exception to this prohibition exists for school districts that are affected by a natural disaster or fire that causes unforeseen increased costs to the district, in which case the prohibitions in this bill do not apply for a six-month period immediately following the disaster. However, if a school board is under a two-year suspension period resulting from a failed referendum, the bill would prevent a school district from seeking approval from electors to borrow in order to address increased costs as a result of emergency situations that do not necessarily constitute a natural disaster, for example, to address issues of safety, security or building code violations. This in turn could increase a district's liability, for example, if an accident and/or injury occurs as a direct result of the district not being able to address a safety, security or building code related issue because it was not able to seek approval from voters to borrow or raise revenue for this purpose.

This bill limits the opportunities in which a school district can schedule a referendum for the purpose of increasing its revenue limit only to take place concurrently with a spring or fall general election. Because current law requires school districts to pay for referenda held outside the spring and fall election cycles, school districts will no longer be required to pay for these referenda, as school district referenda would be

on the same ballot as other spring or fall elections and would be administered by municipal clerks responsible for the election.

Because the size and scope of these impacts will vary by school district, the local fiscal impact as a result of this bill is indeterminate.

Long-Range Fiscal Implications