

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-3309/1	Introduction Number SB-301	
Description summer school and interim session classes		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around; font-size: small;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div>		
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 30%;"> 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 </div> </div>		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
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Fiscal Estimate Narratives

DPI 6/29/2017

LRB Number	17-3309/1	Introduction Number	SB-301	Estimate Type	Original
Description summer school and interim session classes					

Assumptions Used in Arriving at Fiscal Estimate

This bill expands the types of online classes offered as summer classes or interim session classes to high school pupils and to pupils in grades 7 and 8 that qualify for state aid. Under current law, for an online summer or interim session class to qualify for state aid, the school board must determine that the class fulfills a high school graduation requirement in English, social studies, math, science, or physical education; and the class must be successfully completed (as defined by the school board). This bill expands the online summer or interim session classes that qualify for state aid to also include classes the school board determines fulfill a graduation requirement in health education or classes that count toward the number of credits the school board requires for graduation in any combination of vocational education, foreign languages, fine arts, and other courses (effectively, any course that the school board determines meets the requirements for high school graduation).

Impacts on General/Equalization Aid, Per Pupil Aid and Revenue Limits

The bill expands eligibility for state aid to additional types of online classes offered as summer or interim session classes to high school pupils and to pupils in grades 7 and 8. As pupils enroll in these eligible courses, school district pupil counts for revenue limits, general/equalization aid, and certain categorical aids may be affected.

Revenue Limits:

A district's revenue limit is based on its current three-year rolling average pupil count, which includes 40 percent of summer school FTE pupils. To the extent that a district offers summer/interim online courses that are authorized under the bill, a district could generate additional revenue limit membership, and thereby increase its allowable revenue authority. However, the revenue limit formula takes into account several factors, so the net impact on a district's final revenue limit authority is very much dependent on district specific circumstances. For example, for a district with declining enrollment, the addition of a few summer FTE could very well be offset by a decreased exemption amount for declining enrollment (with a net impact on total revenue authority of zero).

General/Equalization Aid:

General/Equalization Aid is distributed to districts according to a complex formula outlined in statute. The general/equalization aid received by a school district serves as an offset to the local property tax levy. In general, a district's allowable tax levy is equal to its allowable total revenues (the revenue limit) less general/equalization aid. Thus, within the district's controlled revenues, as general/equalization aid increases, the allowable tax levy decreases, and vice-versa. [Note that High Poverty Aid, discussed below, is also received under the revenue limit, like general/equalization aid].

"Membership" for general/equalization aid is equal to the average of a district's 3rd Friday in September and 2nd Friday in January pupil counts (full time equivalent, or FTE), plus summer school FTE. By extending eligibility for state aid to those types of online summer or interim session courses that are authorized under the bill, a school district's general aid membership may increase, which would in turn impact the district's equalized value per member and shared costs per member under the general/equalization aid formula.

To the extent that an individual district's membership is increased as a result of this bill, the factors for that school district that affect eligibility for general/equalization aid will be impacted, and so then is the district's aid eligibility. Specifically, the measure of a district's ability to pay – equalized property value per member – would decrease as membership increases, thereby driving more aid to the district (all other factor being equal).

Increased membership also impacts a district's shared cost per member. The general/equalization aid formula is essentially a cost-reimbursement model, wherein the portion of shared costs per member that is aided is dependent on the district's ability to pay (equalized value per member). A change in shared costs per member could therefore have an impact on a district's aid eligibility. The impact on a district's share costs per member would depend on both the change in membership (additional summer school pupils) and the change in shared costs, as there may well be additional expenditures for newly offered summer courses, as authorized in this bill. The impact of the change in shared costs depends on a district's "position" in the aid formula: if shared costs per member decrease, "positively aided" districts (those with relatively low property value per member) would have fewer costs to be aided, thus could lose aid; but for "negatively aided" districts (those with relatively high property value per member), a decrease in shared costs per member would translate into fewer costs that would be negatively aided, and thus these districts could gain aid.

This bill may not impact a district's value per member enough to have a meaningful impact on the amount of aid generated within the formula. Additionally, for districts that have very high property values per member, such that the districts receive only the "85% hold harmless" special adjustment aid (or no general aid at all), an increase in membership would have no impact on the amount of aid generated for the district within the formula.

The impact of this bill on an individual district's eligibility for general/equalization aid cannot be projected. Within the context of state aid received under revenue limits, the primary impact of this bill would be a redistribution of general/equalization aid, and therefore, a shift between state aid and local property tax levy (the shift could go in either direction).

High Poverty Aid:

High Poverty Aid relies on general aid membership as a factor in determining aid eligibility. Under this program, aid is determined by dividing the total state appropriation (\$16.83 M) by the total members in school districts that qualify for High Poverty Aid (districts with 50 percent or more pupils who meet the eligibility criteria for free or reduced price lunch). To the extent that the total number of members in eligible districts increase, the per-member amount of High Poverty Aid decreases.

Like general/equalization aid, High Poverty aid is received under the revenue limit; therefore, within a district's revenue limit, as High Poverty Aid decreases, the allowable property tax levy for that school district would increase, and vice-versa.

Other Categorical Aids:

Per Pupil Aid is paid school districts based on their current three-year rolling average pupil count under revenue limits, which includes 40 percent of summer school FTE pupils (Per Pupil Aid was paid at \$250 per pupil for the 2016-17 school year). To the extent that the bill results in a higher three-year rolling average pupil count for revenue limits, a district would be eligible for additional Per Pupil Aid. Because the state appropriation for Per Pupil Aid is sum-sufficient, districts always receive the full aid amount for which they are determined eligible (no proration of Per Pupil Aid).

In addition to Per Pupil Aid, the Sparsity Aid, High Cost Transportation Aid, and Supplemental Special Education Aid programs utilize general aid membership as a factor in the calculation of aid eligibility. To the extent that a district's general aid membership increases as a result of the provisions in this bill, a district's eligibility aid under these programs could be impacted; depending on a district's specific circumstances, an increase in membership could have a positive or negative impact on a district's aid eligibility. Unlike the Per Pupil Aid program, these other categorical aid programs are funded from sum-certain appropriations; state aid is prorated if districts' aid eligibility exceeds the amount appropriated.

Net Local Fiscal Impact

This bill could impact a district's revenue limit; it could result in a redistribution of general/equalization aid to school districts (shift in state aid/tax levy), and could also have impacts on aid eligibility under certain categorical aid programs. With respect to Per Pupil Aid, if the bill results in a higher revenue limit pupil count, a district would be eligible for a higher amount of aid. With respect to High Poverty Aid, Sparsity Aid, and High Cost Transportation Aid, eligibility for aid is redetermined each year (every other year for High Poverty Aid); districts move into and out of eligibility for aid under current law. Thus, while this bill may well have an impact on a district's general aid membership, and by extension, an impact on eligibility for these

categorical aid programs, those impacts may be obscured by the changes in eligibility that occur as a result of how the aid programs are structured.

The impact to an individual school district cannot be projected for future years. The local fiscal impact of this bill is indeterminate.

State Fiscal Impact:

Because the bill does not appropriate additional funds to the general/equalization aid or any categorical aid appropriations, there is no immediate state fiscal impact related to this bill. However, because Per Pupil Aid is paid from a sum-sufficient appropriation, should the bill have the effect of increasing total revenue limit pupils statewide, there would be a greater draw on the Per Pupil Aid appropriation, translating into higher expenditures, compared to current law, and thus a negative impact on the state's general fund. The Per Pupil Aid payment was \$250 per pupil for FY17. Because the 2017-19 biennial budget is being deliberated by the Joint Committee on Finance as of the writing of this fiscal estimate, the Per Pupil Aid amount for future years is not known. Because the Department cannot predict district behavior with respect to offering additional summer/interim online courses, as authorized under the bill, the impact of the bill on the Per Pupil Aid program (and thus the state's general fund) cannot be estimated.

Long-Range Fiscal Implications