

Fiscal Estimate Narratives

DPI 8/4/2017

LRB Number	17-3995/1	Introduction Number	SB-383	Estimate Type	Original
Description the payment of state aid to school districts and payments to operators of independent charter schools and private schools participating in a choice program or the Special Needs Scholarship Program					

Assumptions Used in Arriving at Fiscal Estimate

Beginning in the 2018-19 school year, this bill changes the timing of state aid payments to school districts and of payments to operators of independent charter schools, private schools participating in a choice program, and private schools participating in the Special Needs Scholarship Program.

Under current law, a school district receives 15 percent of its state aid in September, 25 percent in December, 25 percent in March and 35 percent in June. Current law also provides an option for a school district to receive its state aid in ten equal monthly payments from September to June. Under current law, if a school district opts to receive its state aid in ten equal payments, the school district must compensate the state for any lost interest. Under the bill, school districts receive state aid in 12 equal monthly payments. The bill retains the option for a school district to receive its state aid in ten equal payments but eliminates the requirement that such a school district compensate the state for any lost interest.

Under current law, the Department of Public Instruction pays annual amounts due to operators of independent charter schools and to private schools participating in a choice program or the Special Needs Scholarship Program in four equal quarterly installments. These installments are paid in September, November, February, and May. Under the bill, other than for the first school year in which payments are received, DPI pays operators of independent charter schools and private schools participating in a choice program or the Special Needs Scholarship Program in 12 equal monthly installments. For the first school year in which an operator of an independent charter school or private school participating in a choice program receives a payment from DPI and for the first year in which a pupil participates in the Special Needs Scholarship Program, DPI pays the annual amount due in ten equal monthly installments, beginning in September.

State:

While this bill does not have an impact on the state's total expenditures, the bill would shift general aid payments to school districts in a way that draws greater amounts of GPR earlier in the fiscal year. The larger aid payments in September would likely impact cash flow within the state's general fund, which in turn could trigger actions to balance the cash flow (e.g., inter-fund borrowing or short-term borrowing). The Department of Public Instruction is not in a position to assess the impact of this bill on the state's cash flow capabilities; therefore, the fiscal impact to the state as a result of this bill is indeterminate. It is assumed that any increase in workload as a result of implementing a twelve-month schedule for aid payments (or a ten-month schedule for first-year schools participating in a choice program or the Special Needs Scholarship Program) would be absorbed by existing Department resources.

Local:

The bill would not affect the total state aid for which a school district is eligible. The change proposed under this bill would provide an even distribution of state general aid payments, providing more state general aid resources at the beginning of the fiscal year, and fewer at the end of the fiscal year. Charter schools, choice schools and private schools participating in the Special Needs Scholarship Program would also receive an even distribution of state aid on a twelve-month schedule, except for schools that are in their first year of participation in any of the state's choice program; in those cases, DPI would pay those schools in ten equal installments.

Increasing the amount of aid paid to school districts in the beginning of the fiscal year could result in larger adjustments to later aid payments, as a result of reconciling payments within a year. Under current law, the September aid payment is based on the prior year's actual aid payment. Under the bill, the July through October payments would be paid based on the prior year's aid payment; thus, under the bill, the early aid

payments would now comprise a larger portion of the district's total aid payments within a year (one-third under the bill, compared to 15 percent under current law). The bill would not change the total aid entitlement to a school district for a given year; rather, it would distribute the aid in along a different timeline. Each district's prior year actual aid payments and current year aid certification would factor into how the redistribution of aid (under the bill) through the year impacts the district's cash flow.

It is possible that some school districts may be able to benefit from this bill by eliminating the interest costs associated with short-term borrowing for the year, but such an impact will vary by school district. Districts that are property wealthy and therefore generate relatively little state aid in the formula may still need to short-term borrow to cover district expenditures until property taxes are paid out by municipalities in August; thus, the change in distribution of aid to a regular monthly installment is less likely to benefit a low-aided school district. The Department is not in a position to project school district behavior with respect to borrowing. Therefore, the net local fiscal impact on public school districts as a result of this bill is indeterminate.

State aid payments to independent charter schools and to private schools participating in a parental choice program or the special needs scholarship program would be made on a regular monthly installment schedule (rather than quarterly, as under current law), resulting in a change to those schools' cash flow, but the total aid amounts paid to those schools would not be impacted.

Long-Range Fiscal Implications