

Fiscal Estimate Narratives

DOR 1/31/2005

LRB Number	05-0784/1	Introduction Number	AB-22	Estimate Type	Original
Subject					
Carrying forward a school district's unused revenue limit authority					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, if a school district's revenue in a given school year is less than the maximum permitted under the revenue limit, 75% of the unused revenue capacity may be carried forward for purposes of calculating the revenue limit in the following school year. Under the bill, 100% of the unused revenue capacity may be carried forward for purposes of calculating the revenue limit in the following school year.

Based on data from the Department of Public Instruction, there were 98 school districts in the 2003/04 school year whose revenue was less than the maximum permitted under the revenue limit. The total unused revenue capacity for these districts was about \$19.2 million. Under current law, \$14.4 million (\$19.2 million X 0.75) of this would have been carried forward for purposes of the 2004/05 revenue limit. Under the bill, the entire \$19.2 million would have been carried forward for purposes of the 2004/05 revenue limit.

Since school aids are no longer tied to the level of school spending, to the extent that school spending could change as a result of the bill, the bill will have no effect on state finances.

The effect of the bill on property taxes would depend on how school boards react to the law change. Under current law, school boards have an incentive to levy taxes so as to use their entire revenue capacity, since any unused capacity creates a permanent reduction in revenue capacity for future years. Under the bill, unused revenue capacity will not affect future revenue capacity, potentially leading to lower tax levies than under current law. On the other hand, under the bill, future years' revenue limits will be higher than under current law for those districts that do not levy the maximum allowed, which would permit those school boards to levy taxes that would be higher than permitted under current law. Since it is not possible to estimate how these effects will affect school board behavior, it is not possible to estimate how the bill will affect school property tax levies.

Long-Range Fiscal Implications