

Fiscal Estimate Narratives

DPI 1/9/2006

LRB Number	05-4270/1	Introduction Number	AB-891	Estimate Type	Original
Description The calculation of a school district's special adjustment aid and revenue limit when territory is detached from one or more school districts to create a new school district					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a school district is guaranteed to receive in each school year at least 85 percent of the amount of state aid that it received in the previous school year. This additional aid is called Special Adjustment aid. For a school district from which territory is detached to create a new school district, this bill revises the method for calculating Special Adjustment aid in the second and third school years after the reorganization takes effect using the ratio of retained pupils.

Current law increases a school district's revenue limit, if the average enrollment of the school district in the current and two preceding school years is less than the average enrollment in the three previous school years, by the additional amount that would have been calculated had the decline in enrollment been 25 percent of what it was. This bill also revises the method for calculating the revenue limit of a school district affected by a reorganization described above for the three years immediately following the effective date of the reorganization.

STATE FISCAL EFFECT

This bill, while possibly causing a reallocation of state school aids compared to current law, does not affect the level of any department appropriation. Therefore, there is no state fiscal effect.

LOCAL FISCAL EFFECT

For state general aid, this bill modifies Special Adjustment aid when creating a new school district, as described above. Under the bill, no district affected by a reorganization will have Special Adjustment aid based upon the prior year's state aid payment to the district as previously constituted. Compared to current law, this bill could shift state general aid from reorganizing districts to most other districts in the state. The actual fiscal effect of the bill is indeterminate as it would be based on each individual reorganization.

For revenue limits, the bill would also adjust the revenue limit calculation for the existing district. The bill's effect on any individual district's revenue limit is indeterminate.

Long-Range Fiscal Implications