

Fiscal Estimate - 2009 Session

Original Updated Corrected Supplemental

LRB Number 09-4244/1 **Introduction Number AB-0937**

Description
Distributing one-half of general school aid using an income equalization formula

Fiscal Effect

State:

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No

Create New Appropriations Decrease Costs

Local:

No Local Government Costs

Indeterminate

1. Increase Costs 3. Increase Revenue 5. Types of Local Government Units Affected

Permissive Mandatory Permissive Mandatory Towns Village Cities

2. Decrease Costs 4. Decrease Revenue Counties Others

Permissive Mandatory Permissive Mandatory School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Daniel Huegel (608) 266-5705	Authorized Signature Paul Ziegler (608) 266-5773	Date 4/16/2010
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Fiscal Estimate Narratives

DOR 4/16/2010

LRB Number	09-4244/1	Introduction Number	AB-0937	Estimate Type	Original
Description Distributing one-half of general school aid using an income equalization formula					

Assumptions Used in Arriving at Fiscal Estimate

For the 2009/10 school year, the school equalization aid formula will be used to distribute about \$4.5 billion, or about 85% of all state school aids, to local school districts. Under current law, equalization aid payments for an individual district are calculated under a formula that uses per pupil spending and per pupil equalized value. Under the proposal, beginning with the 2011/12 school year, the current formula will be used to calculate 50% of equalization aid payments. The other 50% would be distributed on a formula that uses per pupil spending and net taxable income per pupil. For aids in the 2011/12 school year, income data for calendar 2010 would be used.

While the Department of Public Instruction (DPI) has statutory responsibility for administration and distribution of general equalization aids for school districts, the Department of Revenue (DOR) under the bill would be required to provide DPI with the data on net taxable income by school district to enable that department to calculate the appropriate school aid payments.

The DOR currently requests that taxpayers identify their school district of residence on their income tax returns, and a report on net taxable income by school district is prepared based on this data. Since the school district data are already being prepared, the bill imposes no additional costs on DOR. However, the DOR is currently unable to determine if the school district of residence as reported on tax returns is accurate, especially in municipalities that have territory in two or more school districts. If DOR is required to verify the accuracy of the reported school codes, significant one-time costs for the necessary geographic coding software, and ongoing costs to update this software for changes in school district boundaries, would be incurred.

Long-Range Fiscal Implications