

Fiscal Estimate Narratives

DPI 12/12/2011

LRB Number	11-2664/3	Introduction Number	SB-251	Estimate Type	Original
Description School district debt service aid and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill provides additional state aid to certain school districts — those in which the equalized value per pupil is less than 50 percent of the statewide average — to assist in paying debt service on bond issues approved at a referendum held on or after July 1, 2011. Under the bill, annually the Department of Public Instruction pays an eligible school district the amount determined by multiplying the school district's levy for debt service on the bond by the percentage of the school district's primary shared cost that the school district received at the primary aid level of general state school aid in the previous school year. A school district's primary shared cost is that portion of the district's shared cost that is aided at the primary level of state aid.

The school district may receive such aid in any year only if it repays no more than 10 percent of the principal of the bond in that year. Aid is paid as a first draw from the general school aid appropriation, thus reducing the amount distributed as general school aid to other school districts.

State Fiscal Effect:

Using data from the 2011-12 school aid formula, eight districts would be eligible under the provisions of the bill. The amount of state reimbursement for these districts at the primary aid tier of the formula this year ranges from 85.5% to 89.7%.

There is no change under the bill in the amount of general equalization aid available to districts. Thus, any payments under the bill would result in a redistribution and/or reduction of state aid for all other districts receiving general aid under the formula.

The number of eligible districts could change each year, as would their primary aid percentages. It is also unknown how many eligible districts would pass referenda in future fiscal years and at what amount. Thus, payments under the bill and the impact on state general equalization aid for other districts is indeterminate.

Local Fiscal Effect:

Because there is no change under the bill in the amount of general equalization aid available to districts, any payments under the bill would result in a redistribution and/or reduction of state aid for all other districts receiving general aid under the formula. It is unknown how many eligible districts would pass referenda in future fiscal years and at what amount. Thus, payments under the bill and the impact on state general equalization aid for other districts is indeterminate.

Eligible districts that receive additional state aid payments under the bill would receive them under their revenue limit, decreasing the total amount of local school property taxes that could be levied. Any districts that realize a reduction of state general aid as a result of the payments made under the bill would have the ability to increase local school property taxes under revenue limits to replace the lost state aid. Any such levy would be at the discretion of the local school board and is indeterminate.

Long-Range Fiscal Implications