



## Fiscal Estimate Narratives

BPL 10/19/2011

LRB Number	11-1332/3	Introduction Number	AB-0302	Estimate Type	Original
<b>Description</b> regulation of nursing homes, requiring the exercise of rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The Common School Fund (which is managed by the Board of Commissioners of Public Lands) was created in Article X Section 2 of the Wisconsin Constitution as a permanent source of funding for Wisconsin K-12 public schools and libraries. Pursuant to the Constitution, the Common School Fund receives fees, fines and forfeitures that accrue to the State of Wisconsin. The earnings of the Common School Fund are distributed annually as library aid to all Wisconsin public school districts.

The Common School Fund received an average of \$1,815,853 per year in fines from DHS from 2006 through 2010 which are the last five years of available data from DHS. For purposes of this fiscal note, BCPL is assuming that DHS nursing home fines deposited in the Common School Fund would continue at that average rate if AB302 was not enacted. In its fiscal note, DHS projects that \$15,000 per year will still be going into the Common School Fund from nursing home fines after passage of AB302. The difference between \$1,815,853 (before enactment of AB302) and \$15,000 (after enactment of AB302) is \$1,800,853. We have estimated that \$1,800,853 is the average annual decrease in nursing home fines added to the principal balance of the Common School Fund.

Pursuant to Wisconsin statutes, BCPL invests the Common School Fund in loans to municipalities and school districts and in other fixed income instruments issued by governmental entities. We assume that the currently authorized investments will remain substantially the same for the foreseeable future.

BCPL has obtained an average annual rate of return of 4.7% on Common School Fund principal over the last five years. We assume that the Common School Fund would have achieved that average rate of return in the future on trust fund principal additions from nursing home fines.

### Long-Range Fiscal Implications

The long range fiscal implication of this bill is a reduction in the amount of library aid that would have been generated by the earnings of the Common School Fund. The size of the reduction grows each year. Each year there will be more nursing home fines that will not be added to the principal of the Common School Fund. Therefore, there will be a larger annual decrease in trust fund earnings each year and a lower corresponding amount of library aid distributed to all Wisconsin public school districts.

By the fifth full year after enactment, the annual decrease in K-12 library aid is estimated to be \$380,880. The cumulative decrease in K-12 library aid for those five years is estimated to be \$1,058,001.

By the tenth full year after enactment, the annual decrease in K-12 library aid is estimated to be \$804,801. The cumulative decrease in K-12 library aid for those ten years is estimated to be \$4,232,005.

By the twentieth full year after enactment, the annual decrease in K-12 library aid is estimated to be \$1,650,482. The cumulative decrease in K-12 library aid for those twenty years is estimated to be \$16,928,018.