

Fiscal Estimate Narratives

DPI 12/5/2017

LRB Number	17-4742/1	Introduction Number	AB-0687	Estimate Type	Original
Description the revenue limit ceiling for school districts and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill increases the revenue limit ceiling for school districts to \$9,500 in the 2018-19 school year and to \$9,900 in the 2019-20 school year and each school year thereafter. This bill also provides an additional \$34,200,000 to the Department of Public Instruction in the 2018-19 school year for general school aids.

In general, a school district's revenue limit is a limitation on the amount of revenue a school district can raise from general school aids, computer aid, and property taxes. Under current law, the formula for determining a school district's revenue limit does not apply to a school district with per pupil revenue that is less than the revenue limit ceiling. Instead, the school district is allowed to increase its per pupil revenue up to the revenue limit ceiling. The current revenue limit ceiling is \$9,100.

Local:

The bill increases the low revenue limit for school districts, from the current law threshold of \$9,100 per pupil, to \$9,500 in the 2018-19 school year, and to \$9,900 in the 2019-20 school year and each school year thereafter. This will have the effect of permitting greater revenue raising authority for school districts whose revenue limit per pupil is below the applicable threshold in the given school year, thereby increasing the local tax levy.

Low Revenue Adjustment

Forecasting individual district eligibility for the low revenue ceiling adjustment in future years (FY18 and after) requires projecting revenue limit membership for the fall of 2018. Changes in district membership do not always follow consistent trends, and pupil movement between public schools and private schools under one of the state's private school parental choice programs complicate such forecasts. However, using a conservative estimate of revenue limit membership changes, the Department estimates that 125 to 135 school districts could be eligible for the low revenue adjustment for the 2018-19 school year under the bill (with a ceiling of \$9,500).

If the eligible school districts fully utilize the revenue limit authority generated by the low revenue adjustment, the statewide property tax levy is projected to increase by \$40 to \$45 million in 2018-19, compared to current law. School districts may only partially utilize the additional revenue limit authority, which would mitigate the impact of the bill. For example, at a utilization rate of 80%, the additional property tax impact would be \$32 to \$36 million in 2018-19, compared to current law.

Estimating the impact beyond the 2018-19 is complicated, in part due to the challenges in forecasting revenue limit membership two years into the future, but also, because a district's base revenue going into the 2019-20 school year can be impacted by several factors which cannot be anticipated at this time (eligibility for the base revenue hold harmless adjustment, the addition of recurring revenue limit adjustments, e.g., recurring referenda). This fiscal estimate does not quantify the impact of the bill for the 2019-20 school year; but generally speaking, an increase in the low revenue adjustment in 2019-20, from \$9,500 to \$9,900 per pupil, will result in additional revenue authority, compared to current law. The increases in revenue authority in individual school districts may or may not be offset by increases in state general aid to the district. The total appropriation for state general aid in 2019-20 may be modified as a result of the 2019-2021 biennial budget process; but there is no way for the Department to anticipate what that increase may be.

General Aid

The bill also provides an additional \$34,200,000 to the Department in the 2018-19 school year for general school aids. On a statewide basis, the increase to school districts' revenue raising authority would be mitigated by the additional funding being directed into the general school aids formula. There are several factors used in the computation of general aid that is received under a school district's revenue limit (i.e.,

pupil membership, shared cost, equalized property valuation, the state's guaranteed valuations, and the total amount of funding available for distribution). It is not possible to project general aid by district for future years with accuracy. Furthermore, it is not the case that the additional levy authority generated by individual school districts as a result of this bill would be totally (or even partially) offset by the increased appropriation for state general aid. The net impact on individual school districts will vary, depending on each district's specific circumstances.

For these reasons, the local fiscal impact (on individual districts) as a result of this bill is indeterminate. On a macro level, the additional general aid would largely (perhaps completely) offset the additional revenue raised from the low revenue ceiling adjustment, mitigating increasing in school property taxes on a statewide basis.

State:

There is no net fiscal impact to the state as a result of increasing the low revenue ceiling adjustment under this bill. However, the appropriation for state general school aids will increase by \$34,200,000 in the 2018-19 school year and will become part of the base appropriation going into the 2019-21 biennium.

Long-Range Fiscal Implications

Assuming the legislature does not remove the additional amount appropriated for state general aids beginning in FY19 (under the bill), the bill will result in state appropriations that are at least \$34.2 million higher, compared to current law. Assuming that school districts utilize the additional revenue authority (i.e., levy taxes) provided by the bill, those districts' ongoing, base revenues for future years will be higher, compared to current law.