Fiscal Estimate - 2017 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **17-3212/1**	Introduction Number **AB-0810**

Description
courses that generate a profit for a school district

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☒ School Districts ☐ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DPI/ Carl Bryan (608) 267-9127	Erin Fath (608) 266-2804	1/12/2018

Fiscal Estimate Narratives

DPI 1/12/2018

LRB Number **17-3212/1**	Introduction Number **AB-0810**	Estimate Type **Original**
Description courses that generate a profit for a school district		

Assumptions Used in Arriving at Fiscal Estimate

This bill expressly authorizes school boards to offer courses that include activities or course work that generate a profit for the school district ("profit-generating courses"). According to information received by the Department, the term "profit" is taken to mean revenues generated by activities or course work as a result of a course offered by a school district, such as a "shop" or other technical course that engages students in producing a tangible product. However, the term "profit" is not defined in the bill, or elsewhere in statute, as school districts have status as non-profit (for state and federal tax purposes). It is possible that one school district's interpretation of profit may vary from another school district's interpretation and may include other means for generating revenue, such as student fees or returns on investments.

The language in the bill does not identify specific parameters for a profit-generating courses; thus it appears that the provisions of the bill could apply to any course offered by the school district, including credit-bearing courses for students (courses that count towards graduation), or courses offered under a school district's community programs and services function ("Fund 80"). It appears that the bill would allow for excess revenue to be generated by existing school district courses that are already supported with the district's general operating fund (Fund 10). While the bill could be interpreted to authorize completely self-sustaining courses (i.e., courses funded through means completely outside of a school district's general operating fund), the law already provides for a school district to provide community programming and services from a designated fund (Fund 80) which may be comprised of property tax levy and user fees.

Under the bill, if a school board offers a profit-generating course, the school must spend any profits generated by the course for the purposes of offering profit-generating courses (as opposed to the specific course from which the profit was generated). The bill does not identify the specific types of costs for which the profits may be used; in the absence of specific purposes, it appears that the profits could be expended on materials or equipment for the profit-generating course, or possibly for personnel costs associated with profit generating courses.

Without a definition of the term "profit", or explicit parameters around profit-generating courses or the specific purposes for which the profits could be expended, it is possible that a school board would be left to defend its interpretation of the bill were it challenged on its actions.

Finally, this bill excludes expenditures of profits generated by a profit-generating course from a school district's shared costs. Shared costs is one the factors used to calculate general school aids and refers to school district expenditures that are aidable through the equalization formula. Shared cost is determined by subtracting certain deductible receipts from the gross cost of a school district's general fund for operating costs and its debt service fund for expenditures for long-term debt retirement. The primary deductions are state categorical aid, federal aid, and local non-property tax revenue such as ticket sales, student fees, and interest earnings. While the bill does exclude "expenditures from profits" from the shared cost formula, all revenue generated from a profit-generating course would be considered a deductible receipt in the shared cost formula. Therefore, if this bill were to become law as written, a school district's shared costs would exclude both the expenditures from profits the revenue raised from a profit-generating course, effectively reducing shared costs twice for each profit-funded expenditure. A significant reduction in a school district's shared costs could have the effect of redistributing state aid in the general/equalization aid formula.

Local:

This bill excludes expenditures of profits generated by a profit-generating course from a school district's shared costs. Under the bill, the profit (revenue) gained from a profit-generating course would be treated as a deductible receipt in the shared cost formula (as under current law). Thus, a district's shared costs would be twice-impacted by the provisions of the bill. The Department is unable to estimate how many school boards would opt to offer a profit-generating course, or how much profit would be generated by such courses; further, the fiscal impact to school districts' general aid eligibility in future years simply cannot be projected, due to the several factors that figure into the general aid formula. The local fiscal impact of the bill on general aid is indeterminate. However, because general aid is received under a district's revenue limit, changes in general aid (as a result of the bill) would be offset by a change in allowable property tax levy under the revenue limit.

State:

Because the bill does not change appropriations for the state, it is assumed that there is no fiscal impact to the state or to the Department as a result of this bill.

Long-Range Fiscal Implications