

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4171/1	Introduction Number AB-0461
Description timing of equalization aid payments to school districts	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Agency/Prepared By DOA/ Colleen Holtan (608) 266-1359	Authorized Signature Colleen Holtan (608) 266-1359
Date 10/1/2019	

Fiscal Estimate Narratives

DOA 10/1/2019

LRB Number	19-4171/1	Introduction Number	AB-0461	Estimate Type	Original
Description timing of equalization aid payments to school districts					

Assumptions Used in Arriving at Fiscal Estimate

2019 Assembly Bill 461 increases the percentage of school aid payments to school districts distributed in September by 2 percent each school year beginning in the 2019-20 school year and ending in the 2023-24 school year. Simultaneously, the percentage of school aid paid in June will decrease by 2 percent each year. Under current law, the Department of Public Instruction pays aid to school districts for each school year in the following four installments: 15 percent in September; 25 percent in December; 25 percent in March; and 35 percent in June. Under the bill, the percent of school aid paid in September will be 17 percent in the 2019-20 school year; 19 percent in the 2020-21 school year; 21 percent in the 2021-22 school year; 23 percent in the 2022-23 school year; and 25 percent in the 2023-24 school year. The result is four equal payments of 25 percent in the 2023-24 school year, which will be a shift of a significant portion of GPR expenditures to the earlier part of the fiscal year.

It should be noted that the bill requires payment of 17 percent, instead of 15 percent, of the equalization aid appropriation in September 2019 for the 2019-20 school year. This payment occurs in the past; it was made at the current law rate of 15 percent of the appropriation on September 15. The bill is silent regarding how to address this issue.

Using 2019 Act 9 appropriation amounts for equalization aid, state investment fund earnings (assuming a rate of 3%) are estimated to decrease by \$2,127,200 in the 2019-20 school year; \$4,401,100 in the 2020-21 school year; \$6,601,700 in the 2021-22 school year; \$8,802,300 in the 2022-23 school year; and \$11,002,600 in the 2023-24 school year when the proposed school aid payment schedule is used rather than the current payment structure. If a negative cash flow occurs, the amount of interfund borrowing and therefore interest payable by the general fund to other state funds would increase by an indeterminate amount. It should be noted that if there is an insufficient amount of cash available through interfund borrowing, an operating note may be necessary to support the general fund which could result in an indeterminate amount of interest cost to the general fund and reduced liquidity. This may be viewed negatively by bond rating agencies.

Long-Range Fiscal Implications

State investment fund earnings (assuming a rate of 3%) are estimated to decrease by \$11,002,600 in the 2023-24 school year and each year thereafter when the proposed school aid payment schedule of four equal payments of 25 percent is used rather than the current payment structure.

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number 19-4171/1		Introduction Number AB-0461	
Description timing of equalization aid payments to school districts			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			-11,002,600
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-11,002,600
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-11,002,600	\$
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		Date	
		10/1/2019	