

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-1263/1	Introduction Number SB-415	
Description timing of equalization aid payments to school districts		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 50%;"> <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues </div> </div> </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div> <div style="width: 33%;"> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input type="checkbox"/> Counties <input checked="" type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Cities </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS </div> <div> Affected Ch. 20 Appropriations </div> </div>		
Agency/Prepared By DPI/ Erin Fath (608) 266-2804	Authorized Signature Robert A Soldner (608) 267-9124	Date 10/2/2019

Fiscal Estimate Narratives

DPI 10/2/2019

LRB Number	19-1263/1	Introduction Number	SB-415	Estimate Type	Original
Description timing of equalization aid payments to school districts					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the department (DPI) pays equalization 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.

This bill increases the percentage of equalization aid distributed in September by 2 points each school year, and decreases the percentage of equalization aid distributed in June by 2 points each school year, until the 2023-24 school year, at which time the amount of equalization aid distributed in both September and June will be 25 percent. The result is that equalization aid will be paid to school districts in four equal installments beginning in the 2023-24 school year.

Local Impact: Indeterminate, but potential for reduced short-term borrowing costs for some school districts.

Under the bill, the total general/equalization aid eligibility would not be impacted, but the distribution of it throughout the school year would change. School districts would receive more of their aid in the September payment, and less of their aid in the June payment. Some districts rely more on short-term borrowing than others (e.g., districts that receive little or no state general aid may choose to short term borrow to manage cash flow until they receive revenues from their property tax levy – a good share of which is distributed to school districts in August, after the school year has ended). To the extent that the bill reduces the need for short-term borrowing, districts may save on costs associated with short-term borrowing. The amount of those savings would vary from district to district and cannot be projected by the department.

State Impact: Indeterminate, but potential for loss of revenue from interest earnings.

As general/equalization aid payments are phased into an equal, quarterly installments schedule, as proposed in the bill, the state's general fund would be subject to changes in cash balances/cash flow, compared to current law. The state appropriation for general/equalization aid is \$4.7 billion in FY20, and \$4.9 billion FY21; a change of two percentage points would create a not insignificant swing in the state's general fund, and would very likely impact the interest earnings on fund balance. The department is not able to estimate the impact on the interest earnings related to the state's general fund.

Long-Range Fiscal Implications