

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4393/1	Introduction Number SB-494
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Description
 the school district revenue limit adjustment for energy efficiency projects

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input checked="" type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	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
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" 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	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input 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 DPI/ Carl Bryan (608) 267-9127	Authorized Signature Erin Fath (608) 266-2804	Date 10/18/2019
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Fiscal Estimate Narratives
DPI 10/18/2019

LRB Number	19-4393/1	Introduction Number	SB-494	Estimate Type	Original
Description the school district revenue limit adjustment for energy efficiency projects					

Assumptions Used in Arriving at Fiscal Estimate

Under 2017 Wisconsin Act 59, school districts that have passed a resolution to exceed its revenue limits for energy efficiency projects before January 1, 2018, will continue to have the authority to raise additional authority to pay debt service on the bonds or notes used to finance such projects after the effective date of Act 59. However, after the January 1, 2018 initial applicability date, no school district will be able to use this exemption for new projects until December 30, 2018. Thus, future energy efficiency projects would have to be funded either within a school district's base budget (revenue limit) or by putting the question voters under a referendum to exceed the district's revenue limit for operating costs.

Under this bill, prior law would be restored, permitting school boards to adopt a resolution to make use of the revenue limit exemption. However, the bill makes changes to what is considered an eligible project under the revenue limit exemption and to school district operations in making use of the exemption.

First, the bill requires qualifying projects to apply energy conservation measures to an energy savings performance contract in order to be eligible for the revenue limit exemption. The bill incorporates the definition of "energy conservation measure" that applies to an energy savings performance contract.

The bill also provides that any debt issued to finance the project may not be for a term that is longer than 20 years (as given in current law), 80 percent of the useful life of the energy conservation measure, or 80 percent of the useful life of the facility at which the project is implemented, whichever is shorter. Further, if the school district issued debt to finance the project, the operational cost savings must be used to retire the debt in addition to any utility cost savings as under current law.

Additionally, the bill requires a school board resolution to utilize the revenue limit exemption to include a statement that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit exemption and to hold a public hearing on the resolution at least 30 days before voting on the resolution with public notice of the hearing to be provided at least 10 days before the hearing. The bill establishes several requirements to be included in the agenda for the public hearing to consider the resolution, including: 1) a detailed description of the project and the facilities impacted by the project, 2) the projected principle and debt service costs of the energy conservation measures, 3) the projected amount of time for the total energy or operational savings and avoided costs to exceed the costs of the energy conservation measures, 4) the projected useful life of the energy conservation measures and each facility at which those measures will be installed, and 5) the avoided inflationary costs and operational productivity costs attributable to the energy conservation measures.

Finally, a school board that passes a resolution must submit a report to the Department containing the following information: the board vote on the resolution, the information required on the public hearing agenda, the projected savings incurred as a result of the project, and a statement signed by the school board president and the school district administrator that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit exemption. It is not certain how school district operations may change in order to comply with the bill's new requirements relative to a school district's utilization of the exemption under current law. However, it can be expected that any such changes as a result of the bill would be absorbed within existing school district resources.

Use of the energy efficiency revenue limit exemption depends largely on school district behavior, it cannot be predicted how these changes would impact the volume of projects taken on by school districts under the exemption or total exemption amounts relative to current law. Since inception of the energy efficiency revenue

limit exemption, 197 school districts have at some point used the exemption at least once, creating a total of \$399,731,343 in additional revenue authority for energy efficiency projects from FY10 t FY19. The number of districts, with the total available revenue limit exemption authority statewide, is broken out by fiscal year in the table below.

State FY # Districts Total Exemption Amount

FY10	35 districts	\$5,048,242
FY11	25 districts	\$7,092,895
FY12	32 districts	\$8,876,287
FY13	33 districts	\$8,754,950
FY14	53 districts	\$21,705,080
FY15	81 districts	\$37,137,019
FY16	105 districts	\$48,874,284
FY17	120 districts	\$79,772,427
FY18	147 districts	\$92,313,399
FY19	140 districts	\$90,156,760

Total* 197 districts \$399,731,343

* Excludes FY20 exemption amounts, because the amounts will not be finalized until tax levies are certified by school districts in November.

Under the bill (as under prior law), the revenue limit exemption for energy efficiency measures is for nonrecurring purposes; therefore, the revenue authority generated by the exemption would not be included in the base for determining a school district's base revenues for the following school year. Thus, a school board would be required to adopt a resolution to use the energy efficiency exemption each year in which it would use the exemption.

Local Fiscal Impact: Indeterminate.

If the bill is enacted, school districts that pass a resolution to use the exemption would be permitted to generate additional tax revenue to pay for projects (including paying down debt service commitments associated with energy efficiency projects). It is likely that the total, statewide, revenue limit authority would increase as a result of the bill, assuming that school districts make use of the energy efficiency exemption and then levy to the full amount allowed. Under prior law, total, statewide amount generated by the exemption increased each year. However, because many other factors affect districts' final tax levies (membership, future per pupil adjustment amounts, other exemptions used by districts – e.g., referenda), it is not possible to project the net tax levy impact that would result from restoring the energy efficiency revenue limit exemption.

State Fiscal Impact: None.

If the bill is in enacted, the department would be required to collect reports submitted by school boards which include information related to the bill's requirements for the revenue limit exemption. The bill does not require the department to act on the reports submitted by school boards other than to collect them and post them on the department's internet site. Administrative changes made by the department in order to collect and publish the reports as a result of this bill would have to be absorbed within existing staff resources.

While the bill would likely result in increased total revenue limit authority for school districts, that additional revenue authority would come from the school property tax levy. Thus, there is no fiscal effect on the state due to this provision in the bill.

Finally, the bill requests the Legislative Audit Bureau to conduct a performance evaluation audit of the use of the revenue limit exemption by school districts during the two years following the effective date of the bill, on or after July 1, 2022. The Department is not in a position to assess the amount of resources or staff time necessary to conduct this audit for school districts that use this exemption.

Long-Range Fiscal Implications

Potential increases in school property tax levies in future years (amount cannot be determined).