

Fiscal Estimate - 2021 Session

Original Updated Corrected Supplemental

LRB Number **21-0403/1** Introduction Number **SB-177**

Description
the timing of equalization aid payments to school districts

Fiscal Effect

State:

No State Fiscal Effect

Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget

Decrease Existing Appropriations Decrease Existing Revenues Yes No

Create New Appropriations Decrease Costs

Local:

No Local Government Costs

Indeterminate

1. Increase Costs 3. Increase Revenue 5. Types of Local Government Units Affected

Permissive Mandatory Permissive Mandatory Towns Village Cities

2. Decrease Costs 4. Decrease Revenue Counties Others

Permissive Mandatory Permissive Mandatory School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

| Agency/Prepared By | Authorized Signature | Date |
|-----------------------------------|------------------------------|-----------|
| DOA/ Jake Griffith (608) 555-1212 | Robin Malicki (608) 264-9576 | 1/30/2022 |

Fiscal Estimate Narratives

DOA 1/30/2022

| | | | | | |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 21-0403/1 | Introduction Number | SB-177 | Estimate Type | Original |
| Description | | | | | |
| the timing of equalization aid payments to school districts | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under Senate Bill 177, the percentage of school aid payments to school districts distributed in September is increased by two percent each school year beginning in the 2021-22 school year and ending in the 2025-26 school year. Simultaneously, the percentage of school aids paid in June will decrease by two percent each year. Under current law, the Department of Public Instruction pays aid to school districts in each year four installments: 15 percent in September; 25 percent in December; 25 percent in March; and 35 percent in June.

Under the bill, the amount of the statewide September school aid distribution would have been 17 percent of the total appropriation in the 2021-22 school year, and June distributions would have been at 33 percent; however, as of the date of this fiscal estimate, the September payment has already been made pursuant to current law, and therefore this estimate also assumes the June payments made in 2022 will be made using the current law 35 percent.

The bill specifies that in future years, the September share of appropriated aid will be paid as follows: 19 percent in the 2022-23 school year, 21 percent in the 2023-24 school year, 23 percent in the 2024-25 school year, and 25 percent in the 2025-26 school year and each year thereafter. The result is four equal payments of 25 percent in the 2025-26 school year and each year thereafter. There would be corresponding decreases in the percentages of the June payment distributions for each year. The bill causes a shift of a significant portion of GPR expenditures from the latter part of the fiscal year to the earlier part of the fiscal year.

Using the 2021 Act 58 general school aid amounts of \$5.2 billion in the 2022-23 school year (and ongoing as base funding), and the percentages prescribed in the bill, and assuming: (a) a State Investment Fund interest rate of 1 percent, and (b) that the bill would be implemented beginning in the 2022-23 school year, state investment fund earnings are estimated to decrease by \$1,556,200 in FY2023, \$2,334,300 in FY2024, \$3,112,400 in FY2025, \$3,800,500 in FY2026, and \$3,890,500 in FY2027, all relative to current law school aid payment timing.

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 costs to the general fund and reduced liquidity. This may be viewed negatively by bond rating agencies.

Long-Range Fiscal Implications

State Investment Fund earnings would continue to decrease as a result of the increasing shift of school aid payments to earlier in the fiscal year, as described above.

Wisconsin Department of Administration
 Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original Updated Corrected Supplemental

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|--|--|--|-----------------|
| LRB Number 21-0403/1 | | Introduction Number SB-177 | |
| Description the 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 | | | |
| FED | | | |
| PRO/PRS | | | |
| SEG/SEG-S | | | |
| TOTAL State Revenues | | \$ | \$ |
| NET ANNUALIZED FISCAL IMPACT | | | |
| | | <u>State</u> | <u>Local</u> |
| NET CHANGE IN COSTS | | \$ | \$ |
| NET CHANGE IN REVENUE | | \$-3,890,500 | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
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