

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1755/1	Introduction Number AB-0080
Description the 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/ Chris Paul (608) 269-3223	Authorized Signature Robin Malicki (608) 264-9576
Date 4/13/2023	

Fiscal Estimate Narratives

DOA 4/13/2023

LRB Number	23-1755/1	Introduction Number	AB-0080	Estimate Type	Original
Description the timing of equalization aid payments to school districts					

Assumptions Used in Arriving at Fiscal Estimate

Under 2023 Assembly Bill 80, the percentage of school aid payments to school districts distributed in September is increased by two percent each school year beginning in the 2023-24 school year and ending in the 2027-28 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.

The bill specifies that in future years, the September share of appropriated aid will be paid as follows: 17 percent in the 2023-24 school year, 19 percent in the 2024-25 school year, 21 percent in the 2025-26 school year, and 23 percent in the 2026-27 school year, and 25 percent in the 2027-28 school year and each year thereafter. The result is four equal payments for each school year after the 2027-28 school year. 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 general purpose revenue (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 four percent, and (b) that the bill would be implemented beginning in the 2023-24 school year, state investment fund earnings are estimated to decrease by \$3,101,000 in FY24, \$6,224,800 in FY25, \$9,337,200 in FY26, \$12,449,614 in FY27, and \$15,562,000 in FY28, all relative to current law school aid payment timing. The actual interest earnings loss will be less if the actual interest rate is below four percent and more if the actual rate is in excess of.

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.

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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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		-15,562,000
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-15,562,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-15,562,000	\$
Agency/Prepared By	Authorized Signature	Date
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