Wisconsin Department of Administration
Division of Executive Budget and Finance
DOA-2048 (R07/2000)

Fiscal Estimate - 2001 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **01-2762/1**	Introduction Number **AB-325**

Subject

Exclude certain debt service costs from state aid

Fiscal Effect

State:

- [X] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
  - [ ] Decrease Costs

Local:

- [ ] No Local Government Costs
- [X] Indeterminate
  1. [ ] Increase Costs — [ ] Permissive [ ] Mandatory
  2. [ ] Decrease Costs — [ ] Permissive [ ] Mandatory
  3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     - [ ] Towns [ ] Village [ ] Cities
     - [ ] Counties [ ] Others
     - [X] School Districts [ ] WTCS Districts

Fund Sources Affected

[ ] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DPI/ Keith Pollock (608) 266-1344	Brian Pahnke (608) 266-2804	4/26/01

Fiscal Estimate Narratives

DPI 4/26/01

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Subject		
Exclude certain debt service costs from state aid		

Assumptions Used in Arriving at Fiscal Estimate

State fiscal effect:
This bill would not increase school districts' revenue limit authority statewide. Therefore, the state would not be required to provide any additional funding to maintain its commitment to fund two-thirds of partial school revenues.

Local fiscal effect:
This bill would exclude debt service on debt authorized by a referendum on or after the bill's effective date from a district's shared (i.e. aidable) costs if the exclusion results in an increase in general equalization aid to that district. Since shared cost is one of the factors in the computation of state general equalization aid, the exclusion of shared costs as provided under this bill would have a redistributive effect on general equalization aids provided to most school districts.

Under this bill, the exclusion of debt service could reduce the shared costs of each school district that acquires debt under certain circumstances. This provision would affect school districts differently depending upon the factors that determine their eligibility for equalization aid funding. In general, the bill would provide additional general equalization aids only to a negative tertiary school district (defined below) that passes a referendum after the effective date of this bill and would reduce most other districts' general equalization aid.

A negative tertiary school district is a district whose secondary shared cost per pupil exceeds the state-defined secondary cost ceiling and whose equalized property value per pupil is above the state average (tertiary guarantee). Currently, negative tertiary districts' general equalization aids are reduced under the current funding formula in order to maintain two goals: 1) to serve as a disincentive for higher spending levels causing districts to be taxed at higher rates for costs incurred above the ceiling; and 2) to attempt to narrow the per pupil spending disparities among school districts by distributing state aid to districts that spend at lower levels.

Negative tertiary aid reduces a district's positive secondary aid, resulting in a reduction of general equalization aids for any spending above the secondary cost ceiling. In the 2000-01 school year, 124 school districts generated negative tertiary aid that offset some of their positive secondary aid. Assuming the provisions of this bill were in effect in 2000-01, it is estimated the exclusion of debt service from a district's shared costs as provided under the bill would have affected the distribution of general equalization aid as follows (compared to current law):

· 12 districts that had successful debt referenda in 1999-00 would have received additional general equalization aid
· 30 districts would not have had their general equalization aid affected; and
· 384 districts would have received less general equalization aid

In addition, if this bill were in effect in the 2000-01 school year, it is estimated that roughly $2.9 million in general equalization aids would have been redistributed within the current general equalization aid formula.

Long-Range Fiscal Implications