

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-1507/2</b>	<b>Introduction Number</b> <b>SB-68</b>
------------------------------------	---

**Subject**  
 SAGE and special education

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 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 type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <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
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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	20.255 (2) (cu), (cv); Proposed 20.255 (2) (bb)

<b>Agency/Prepared By</b> DPI/ Michael TeRonde (608) 266-5186	<b>Authorized Signature</b> Michael Bornett (608) 266-2804	<b>Date</b> 3/7/2005
--	---	-------------------------

## Fiscal Estimate Narratives

DPI 3/7/2005

LRB Number	05-1507/2	Introduction Number	SB-68	Estimate Type	Original
<b>Subject</b>					
SAGE and special education					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a school district may enter into a five-year, renewable Student Achievement Guarantee in Education (SAGE) contract with the Department of Public Instruction to reduce class size to 15 pupils in grades kindergarten to three in exchange for receiving state aid equal to \$2,000 for each low-income pupil enrolled in grades eligible for SAGE funding. 2005 SB 68 allows a school district to choose not to comply with the requirement to reduce class size in grades two or three, or both, and to forego the aid that it would have received. The amount of foregone aid is lapsed to the general fund and appropriated in the following fiscal year to supplement the payment of special education aid.

**State Fiscal Effect:** There is no net state fiscal effect associated with the bill since any reduction in SAGE aid would be balanced by an identical amount of supplementary special education aid. However, supplementary special education aid would not be appropriated until the fiscal year immediately following the fiscal year in which the SAGE aid is foregone.

**Local Fiscal Effect:** It is not possible to predict how many, or which, school districts would decide to forego SAGE aid for either second or third grade, or both, if this bill became law. Therefore, the fiscal effect for local school districts is indeterminate. However, it is possible to establish a range regarding the bill's fiscal effect, based on what would have happened if the bill had been in effect in FY 05. In that fiscal year, second grade SAGE aid is \$23,290,000 and third grade SAGE aid is \$23,266,000, for a total of \$46,556,000. If none of the school districts participating in SAGE in FY 05 decided to forego any SAGE aid, SAGE aid would remain the same and statewide special education aid would not have increased in the following fiscal year. If, on the other hand, all of the school districts participating in SAGE in FY 05 had decided to forego second and third grade SAGE aid, those school districts would have lost \$46,556,000 in SAGE aid, and statewide special education aid would have gone up by an identical amount in the following fiscal year. Therefore, if this bill had been in effect in FY 05, between \$0 and \$46,556,000 would have lapsed into the general fund and been appropriated to the proposed supplementary special education aid appropriation for statewide distribution in FY 06.

In addition, there are more districts that receive special education aid than receive SAGE aid. Thus, any SAGE aid that is lapsed under the bill and reappropriated for special education aid will result in a redistribution of that aid among that larger number of districts.

### Long-Range Fiscal Implications

The bill would seem to permit a school district to make an annual decision as to which grades it will maintain at the 15 pupil limit. In this case, it may be possible for the SAGE aid appropriation to be insufficient to pay aid for all eligible pupils in a future fiscal year. Under the bill, for any given year, certain districts may choose to not comply with the class size requirement and forego SAGE aid. Based on this data, the legislature, through the biennial budget process, may reduce the SAGE appropriation to the new lower base level. However, should some districts subsequently choose to re-comply with some or all of their grades two and/or three SAGE class sizes, there could be insufficient funds in the SAGE appropriation to pay for the additional pupils.