

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-0868/1	Introduction Number SB-192
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Description
 providing matching funds for a deposit to a long-term capital improvement trust fund and making an appropriation

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations
 Increase Existing Revenues
 Decrease Existing Appropriations
 Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 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 type="checkbox"/> Permissive <input checked="" 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 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) (fw) [new]	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 5/5/2017

LRB Number	17-0868/1	Introduction Number	SB-192	Estimate Type	Original
Description providing matching funds for a deposit to a long-term capital improvement trust fund and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill, creates a new, GPR, sum-sufficient appropriation in the Department of Public Instruction (DPI) that would be used to make payments to school districts that have deposited funds into the district's long-term capital improvement fund (Fund 46), beginning in FY18. For FY18, the amount provided to each school district would be equal to 50 percent of the total deposits made into a district's Fund 46 prior to July 1, 2017. For FY19 and after, the amount provided to each school district would be equal to 50 percent of the amount deposited into a district's Fund 46 during the previous school year.

The bill specifies that if a district that has made deposits into a Fund 46 adopts a resolution to hold a referendum for the purpose of exceeding its revenue limit (i.e., an operating referendum), the district must make payment back to the state for the amounts the state deposited into the district's Fund 46 during the 10 school years immediately preceding the school years in which the resolution was adopted.

The bill does not make a distinction between adoption of a resolution to hold a referendum (or issue debt) and actually passing a referendum and levying taxes for the purpose of the referendum (or debt issue). Thus, it seems a district would incur the penalty (pay back the state) for just adopting a resolution to increase its revenue limit, even if ultimately, the district does not levy the additional taxes (due to referendum failing, or the board's decision to not levy to the maximum allowable revenue limit).

If a school board fails to refund the amount of the matching funds to DPI within 12 months, DPI would be required to reduce the school district's state aid to cover the amount due.

Fund 46 was created under 2013 Act 336 (April 2014). Districts are permitted to transfer funds from the district's general fund (Fund 10) into Fund 46. The transfer is counted as part of shared costs for equalization aid purposes in the year of the transfer; future expenditures from Fund 46 are not part of shared costs (not aided when expended from Fund 46).

Districts must wait a minimum of 5 years after establishment of Fund 46 before expending funds from Fund 46. These funds may only be used for the purposes identified in the approved long-term capital improvement plan, including care and maintenance of facilities. Funds may not be transferred from Fund 46 to any other school district fund.

The FY16 ending balances for Fund 46 was \$32.4 million, representing 156 school districts. This figure is full fund balance and as such, includes interest earnings that have accrued to districts' Fund 46. However, a survey of the annual reports of school districts that have an established Fund 46 indicates that interest earnings are equal to less than 1 percent of the balance; thus, the balances are a reasonable indicator of deposits to date. For this fiscal estimate, the deposits through FY16 (6/30/2016) are assumed to equal 99 percent of the total fund balances, or \$32.1 million.

In FY17, an additional 19 districts have reported establishing a Fund 46 (as of April 28, 2017). Total transfers to both the existing and the newly established Fund 46 accounts for FY17 will not be known until the books are closed for the current fiscal year (after 6/30/2017).

Local Fiscal Impact

The bill creates potential for districts to increase their investment in Fund 46 with a 50 percent match from the state, to better address capital improvement needs. Districts with a previously established Fund 46 accounts would receive state aid in FY18, in an amount equal to 50 percent of deposits made through FY17 (June 30, 2017). Estimated payments to school districts in FY18 are estimated to be at least \$16 million (in total), but likely higher, as the F17 deposit amounts will not be known until after the fiscal year closes (6/30/17).

In future years, districts would receive aid equal to 50 percent of prior year deposits into Fund 46. These district would have to repay state aid payments under the new program created under the bill, if the district were to adopt a resolution to hold a referendum or issue debt (for aid payments received during the 10 years immediately preceding the adoption of the resolution).

State Fiscal Impact

The state would be required to pay matching funds of at least \$16 million GPR in FY18, representing 50 percent of the Fund 46 deposits through FY16 (above). FY17 deposits will not be known until after 6/30/17. Assuming districts make deposits into Fund 46 in FY17, the total state aid payments made under the program proposed in the bill amount would increase.

Long-Range Fiscal Implications

To the extent that districts respond to the incentive of matching funds, the state's expenditures could grow rapidly (no limit, as the bill creates a sum-sufficient appropriation).