

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-5167/1	Introduction Number AB-0835
Description Sparsity aid, the revenue limit ceiling for school districts, and making an appropriation	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate	
<input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local:	
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <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	
<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 s. 20.255 (2) (ae), Wis. Stats.	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
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Date	
1/16/2018	

Fiscal Estimate Narratives

DPI 1/16/2018

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Assumptions Used in Arriving at Fiscal Estimate

LOW REVENUE CEILING

This bill increases the low revenue ceiling for school districts, from \$9,100 per member in FY18 and thereafter under current law, to \$9,400 per member in FY19; the bill also increases the low revenue ceiling by \$100 each school year, beginning in FY20, until the ceiling reaches \$9,800 in FY23. The bill prohibits an otherwise eligible district from using the low revenue adjustment if, during the three prior years, the district held an operating referenda that failed to pass.

Under current law, if the revenue limit formula yields a revenue limit per member amount that is lower than the low revenue ceiling amount specified in statute, the low revenue adjustment is applied so as to bring the district's revenue limit per member (prior to application of any revenue limit exemptions) up to the low revenue ceiling amount. To the extent that school districts choose to utilize the additional revenue limit authority associated with the low revenue adjustment, the school tax levy increases (and school districts thereby build base revenues going forward).

A district's eligibility for the low revenue ceiling adjustment is determined each year. When the low revenue ceiling was first created, it was set at \$5,300 (FY96). The low revenue ceiling threshold was increased each year, typically between \$200 and \$300 per year (high of \$500 in FY04). It reached \$9,000 in FY09, where it remained for five years; then was raised to \$9,100 in FY14, and has not been raised since. In FY12, 104 school districts were eligible for the low revenue adjustment (the highest number of eligible districts since the adjustment became available). Since then, the number of eligible districts has dropped precipitously, to 10 in FY13, 8 in FY14, 3 in FY15, and none in FY16. While one district was eligible in FY17, no districts were eligible for the low revenue adjustment in the current school year (FY18).

Forecasting individual district eligibility for the low revenue ceiling adjustment in future years (FY19 and after) requires knowing each district's base revenue per pupil in future years. At this time, the Department can estimate September 2019 pupil counts and thus the base revenue that will be used for the revenue limit calculation for the 2018-19 school year (FY19): using a conservative estimate of revenue limit membership changes for the September 2019 pupil count, the Department estimates that 107 school districts will have base revenues per member that are below the proposed new ceiling of \$9,400 per member in FY19.

However, the revenue base for school years beyond FY19 cannot reasonably be projected this far in advance. Changes in district membership do not always follow consistent trends, and pupil movement between public schools and private schools under one of the state's private school parental choice programs complicate such forecasts. Thus, the Department is not able to reasonably project the number of districts that may be eligible for the low revenue adjustment in years beyond FY19.

The bill provides that a school district may not utilize the low revenue adjustment if, during the three prior school years, an operating referendum failed in the school district. In this case, the school district's revenue limit ceiling would be the low revenue ceiling that applied in the school year during which the referendum was held, for the three years after the failed referendum (after three years have passed, the school district could make use of the applicable low revenue ceiling for that year, if eligible).

The Department has determined that, of the 107 school districts that are projected to be eligible for the low revenue adjustment in FY19 (with a ceiling of \$9,400), failed referenda have occurred in nine school districts in the three immediately preceding school years prior to FY19 (i.e., FY16, FY17, or FY18). After removing these school districts, the maximum additional revenue limit authority and property tax levy impact statewide as a result of this bill is estimated to be \$21.8 million in FY19, assuming every school district were to utilize the low revenue adjustment up to the maximum amount allowable under the bill.

There are nine additional school districts with referenda that are slated for this spring (2018). If the scheduled referenda fail in all nine of those school districts, the maximum tax levy impact statewide as a result of this bill would be \$19.2 million in FY19. It is not possible to know how many eligible school districts would utilize any or all of increase in the low revenue adjustment, so the actual impact on school tax levies could be lower. It is also not possible to reasonably project the school tax levy impact of the bill in future school years.

SPARSITY AID

Beginning in FY19, this bill increases the sparsity aid per pupil amount from \$300 to \$400. Under current law, a school district is eligible for sparsity aid if the school district's general aid membership in the previous school year did not exceed 745 pupils and the school district's membership divided by the school district's area in square miles is less than ten. If the appropriation is insufficient to pay the full amount to eligible districts, the Department must prorate the payments among school districts entitled to aid under this program. Under the bill, the appropriation for sparsity aid is increased by \$6,454,600 GPR in FY19 to account for the increase in the sparsity aid per pupil payment as proposed under the bill.

Current law also provides a reduced amount of sparsity aid, in the form of a "stop-gap" payment, to a school district that was eligible to receive sparsity aid in the previous school year but does not satisfy the membership criteria in the current school year. As of FY18, that payment is \$150 per pupil, or 50 percent of the amount received by the school district in the previous year (i.e., based on aid paid in FY17 at \$300 per member). However, no school district lost eligibility for sparsity aid in FY18. If any school district loses eligibility for sparsity aid in FY19, that school district would receive \$150 per pupil under the stop-gap provision; but the stop-gap payment will increase, beginning in FY20, to \$200 per pupil, based on the \$400 per member sparsity aid payments beginning in FY19 (payments would be prorated if necessary). However, it is not possible to determine which school districts will lose eligibility for FY19 at this time, because audited FY18 general aid membership is not available until June 2018.

State:

With respect to the low revenue ceiling adjustment under this bill, there is no fiscal impact to the state, because any change to the low revenue ceiling directly impacts school district tax levies and the bill does not require the state to provide any additional general or categorical aid to offset the local tax increases.

However, the bill will increase the sparsity aid program (appropriation) by \$6,454,600 GPR in FY19 to account for the increase in the per pupil payment. It is not possible to determine at this time whether this will entirely cover the increase in the per pupil payment, along with any school districts that lose eligibility for sparsity aid and receive the "stop-gap" payment, or force proration of payments among eligible school districts, because FY18 general aid membership is not yet available.

Local:

Low Revenue Adjustment

If the currently eligible school districts fully utilize the additional revenue limit authority generated by the low revenue adjustment as affected by this bill, the statewide property tax levy is projected to increase by \$21.8 million in FY19, compared to current law. To the extent that school boards choose to not fully utilize the additional revenue limit authority, the impact of the bill on property taxes would be mitigated.

Estimating the impact beyond FY19 is complicated, in part due to the challenges in forecasting revenue limit membership two years into the future, but also, because a district's base revenue going into the FY20 school year can be impacted by several factors which cannot be anticipated at this time (eligibility for the base revenue hold harmless adjustment, the addition of recurring revenue limit adjustments, e.g., recurring referenda). This fiscal estimate does not quantify the impact of the bill for FY20 and beyond; but generally speaking, an increase in the low revenue adjustment by \$100 each school year following FY19 until FY23, when the ceiling reaches \$9,800, will result in additional revenue authority compared to current law.

Sparsity Aid

The changes under this bill would result in additional spending authority for districts, as sparsity aid is received outside the revenue limit. It is not possible to accurately project eligibility for sparsity aid in FY19 without audited FY18 membership (which is not yet available). However, eligible districts would receive additional sparsity aid as a result of increasing the per pupil payment from \$300 to \$400 per member

(additional \$100 per member). The Department is not able to project the number of school districts that will lose eligibility for sparsity aid under current law, and would thus receive the "stop-gap" payment in FY19. Beginning with sparsity aid paid in FY20, the stop-gap payment will be up to \$200 per pupil (based on increasing sparsity aid to \$400 per pupil beginning in FY19). The sparsity aid appropriation is sum certain, so payments would be prorated if eligible aid amounts exceed the appropriation. The FY20 and FY21 appropriation levels will be set (may be increased as result of reestimates) as part of the 2019-21 biennial budget.

Long-Range Fiscal Implications

Assuming that school districts utilize the additional revenue authority under the low revenue adjustment (i.e., levy taxes) provided by the bill, those districts' ongoing base revenues for future years will be higher, compared to current law.