

2019 DRAFTING REQUEST

Bill

For: **Howard Marklein (608) 266-0703** Drafter: **agary**
 By: **Vince** Secondary Drafters:
 Date: **1/8/2019** May Contact:

Same as LRB:

Submit via email: **YES**
 Requester's email: **Sen.Marklein@legis.wi.gov**
 Carbon copy (CC) to: **fern.knepp@legis.wisconsin.gov**
krista.pleviak@legis.wisconsin.gov
aaron.gary@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Declining Enrollment; Blue Ribbon Commission Recommendation 2

Instructions:

See attached

Per ARG

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	agary 2/1/2019				
/P1	agary 3/15/2019	ccarmich 3/15/2019	jmurphy 2/6/2019		State S&L
/1			mbarman 3/15/2019	jmurphy 3/15/2019	State S&L

FE Sent For: 2/20/2019

<END>

"/1" At Intro.

old "/P1" version

Commission Recommendations

Per Pupil Adjustment and Per Pupil Aid [Paper #10]

Increasing revenue limits through a per pupil adjustment and providing per pupil aid are two of the main methods of providing additional resources for school districts. Under the per pupil adjustment, school boards would have the ability to levy for any additional revenue limit authority, with the state providing support either through general school aids or the school levy tax credit to reduce the local levy. Per pupil aid provides each district an equal, fully state-supported payment per pupil, regardless of the level of property wealth in the district. This could be viewed as a way to ensure that all pupils in the state receive some amount of state support for their education and that all taxpayers in the state receive some level of benefit from the state to support the operations of their school districts.

Recommendation: The Commission recommends that the Legislature provide future increases in resources for school districts through increases in the per pupil adjustment under revenue limits.

Declining Enrollment [Paper #11]

Under current law, revenue limits are calculated using a three-year rolling average of pupil enrollment. There are two adjustments for districts with declining enrollment. Under the main declining enrollment adjustment, if a district's current year three-year average pupil enrollment is less than the prior year three-year average, the district receives a nonrecurring adjustment in a dollar amount equal to 100% of what the enrollment decline would have generated in revenue limit authority. The prior year base revenue hold harmless adjustment was created for districts with severe declining enrollment. Under this adjustment, a district's initial revenue limit for the current year is, in certain cases, set equal to its prior year's base revenue. This hold harmless applies if a district's initial revenue limit in the current year, after consideration of the per pupil adjustment and low revenue adjustment, but prior to any other adjustments, is less than the district's base revenue from the prior year.

Recommendation: The Commission recommends that the Legislature consider addressing the issue of declining enrollment with one or more of the following options, with a preference expressed for the second option:

1. Calculate revenue limits using five-year rolling averages of pupil enrollments.
2. Modify the current declining enrollment adjustment to, instead, account for long-term enrollment declines, and delete the current prior year base revenue hold harmless adjustment. Under this alternative, the 2018-19 three-year rolling average (adjusted to reflect any other changes in pupil weighting under other options recommended by the Commission) would serve as the base number

for all subsequent years in calculating a declining enrollment adjustment. Each year's three-year average would be compared to the 2018-19 average. If the current year average was less than the 2018-19 average, a district would receive an adjustment equal to what 90% of the decline would have generated. If a district loses more than 10% of the 2018-19 enrollment, the declining enrollment adjustment would be calculated as if the enrollment decline had equaled 10%.

Negative Tertiary Aid [Paper #12]

The three-tiered equalization aid formula operates under the principle of equal tax rate for equal per pupil expenditures. The formula aids costs on three tiers (primary, secondary, and tertiary), with a less generous state guarantee, and thus a lower state aid rate, moving from the primary to the secondary to the tertiary tiers. The tertiary tier is for all costs above the secondary cost ceiling (\$9,729 per pupil in aid year 2018-19). The tertiary guarantee is set at the statewide average equalized value per pupil (\$594,939 per pupil in aid year 2018-19). By law, negative tertiary aid can reduce positive secondary aid, but not positive primary aid.

The effect of additional aidable costs, such as from a referendum, differ based on the property value per pupil of the district. A district with costs at the tertiary tier and a property value per pupil below the statewide average would receive additional equalization aid for increased costs. A district with property value per pupil above the statewide average would lose aid for those costs. Districts with property value per pupil above roughly twice the statewide average would likely be subject to hold harmless provisions that would result in no aid change on additional costs.

The effect on district levies under revenue limits would also vary. As an example, if a below-average value district raises an additional \$100 under a referendum, it might receive \$20 of positive aid for those costs, meaning it would have to levy \$80 under revenue limits to fund the expenditures. If an above-average value (negative tertiary aid) district raises that additional \$100, it might lose \$30 in negative tertiary aid, meaning it would have to levy \$130 dollars to fund the expenditures. If a very high-value district raises the additional \$100, the hold harmless provisions would mean that its aid would likely be unaffected, meaning it would have to levy only the \$100 raised.

Recommendation: The Commission recommends that the Legislature consider addressing the issue of negative tertiary aid with one or more of the following options:

1. Recommend that any additional costs generated by a referendum (debt, operating, or both) would be excluded from aidable cost for negative tertiary aid districts.
2. Recommend that the secondary cost ceiling be set at 100%, rather than 90%, of the prior year average aidable cost per pupil.
3. Recommend that a secondary aid hold harmless be added to the formula.



in 2/1
wanted
Wed.
2/6

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

SLA ✓
x-ref ✓
SLC ✓

gc

1 **AN ACT** ...; **relating to:** the school district revenue limit adjustment for declining
2 enrollment and the prior year base revenue hold harmless adjustment.

Analysis by the Legislative Reference Bureau

This bill makes changes to the school district revenue limit adjustment for declining enrollment and terminates an adjustment establishing a minimum initial revenue limit, commonly known as the prior year base revenue hold harmless adjustment.

Current law generally limits the total amount of revenue per pupil a school district may receive from general school aids and property taxes in a school year to the amount of revenue received per pupil in the previous school year. Per pupil revenue is calculated using a three-year rolling average of pupil enrollment, comparing the average number of pupils enrolled in the three previous school years and the average of the number of pupils enrolled in the current and two preceding school years. There are several exceptions to the revenue limit, including a revenue limit adjustment for a school district with declining enrollment. If a school district's enrollment declines, its revenue limit is increased in the year of the decline by the amount of additional revenue that would have been allowed had there been no decline in enrollment.

This bill modifies the revenue limit adjustment for declining enrollment in two ways. First, a decline in enrollment is measured by comparing the three-year rolling average of pupil enrollment ending with the current school year against the three-year average of pupil enrollment for the 2016-17, 2017-18, and 2018-19 school years. Second, if a school district's enrollment declines, the school district

receives an adjustment to its revenue limit equal to the allowable revenues that 90 percent of the decline in enrollment would have generated. However, there is a limit to this adjustment, as for purposes of the adjustment calculation a maximum 10 percent decline in enrollment is used.

Current law also provides that if a school district's initial revenue limit for the current school year, after consideration of certain factors, is less than the district's base revenue from the previous school year, the district's initial revenue limit is set equal to the prior year's base revenue. The bill terminates this adjustment, for the 2019-20 school year and each school year thereafter.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 121.91 (4) (f) 1. of the statutes is amended to read:

2 121.91 (4) (f) 1. Except as provided in subd. 1m., for the ~~2007-08~~ 2019-20 school
3 year or any school year thereafter, if the average of the number of pupils enrolled in
4 the current and the 2 preceding school years is less than the average of the number
5 of pupils enrolled in the ~~3~~ previous 2016-17, 2017-18, and 2018-19 school years, the
6 limit otherwise applicable under sub. (2m) is increased by the additional amount
7 that would have been calculated had ~~there been no~~ the decline in average enrollment
8 been 10 percent of what it was, except that, for a decline in average enrollment that
9 is greater than 10 percent, the additional amount calculated under this subdivision
10 shall be calculated as if the decline in average enrollment were 10 percent.

History: 1993 a. 16; 1995 a. 27 ss. 4108m to 4114, 9145 (1); 1997 a. 27, 113, 164, 237, 286; 1999 a. 9, 17, 19, 32, 182; 2001 a. 16; 2005 a. 25, 219; 2007 a. 1, 20; 2009 a. 28; 2011 a. 32, 75, 114; 2013 a. 20, 306; 2015 a. 55, 118, 289, 317; 2017 a. 36, 59, 143; 2017 a. 364 s. 49.

****NOTE: This draft does not make any change in s. 121.91 (4) (f) 1m. relating to the declining enrollment adjustment following a school district reorganization. The draft also does not make any change in s. 121.91 (4) (f) 2., which means that the adjustment continues to be a year-by-year adjustment that is not included in the base. Please advise if you would like additional changes made in s. 121.91 (4) (f) 1m. or 2.

11 **SECTION 2.** 121.91 (8) of the statutes is amended to read:

12 121.91 (8) If a school district's initial revenue limit for the current school year,
13 as calculated under s. 121.905 or sub. (2m), whichever is appropriate, before making

1 any adjustments under sub. (3) or (4), is less than the amount determined by
2 multiplying the amount under sub. (2m) (i) 1. by the average of the number of pupils
3 enrolled in the 3 preceding school years, the school district's initial revenue limit for
4 the current school year, before making any adjustments under sub. (3) or (4), is the
5 amount determined by multiplying the amount under sub. (2m) (i) 1. by the average
6 of the number of pupils enrolled in the 3 preceding school years. Any additional
7 revenue received by a school district as a result of this subsection shall not be
8 included in the base for determining the school district's limit under sub. (2m) for the
9 following school year. This subsection does not apply to a school district's revenue
10 limit calculated for the 2011-12 and, 2012-13, and 2019-20 school years or for any
11 school year after the 2019-20 school year.

~~History:~~ 1993 a. 16; 1995 a. 27 ss. 4108m to 4114, 9145 (1); 1997 a. 27, 113, 164, 237, 286; 1999 a. 9, 17, 19, 32, 182; 2001 a. 16; 2005 a. 25, 219; 2007 a. 1, 20; 2009 a. 28; 2011 a. 32, 75, 114; 2013 a. 20, 306; 2015 a. 55, 118, 289, 317; 2017 a. 36, 59, 143; 2017 a. 364 s. 49.

12

(END)



Adam - Kitchens office

Begin a FE on 1RB-1259/P1

Per
FEK

02-20-2019

Gary, Aaron

From: Williams, Vincent
Sent: Thursday, March 14, 2019 3:42 PM
To: Gary, Aaron; Tobias, Adam
Cc: Rep.Quinn; Schwerbel, Steven
Subject: RE: Draft review: LRB -1259/P1

Aaron,

I'm following up on a previous email.

Can Sen. Marklein have LRB 1259 jacketed as a slash 1 for Senate introduction, and then the companion sent to Rep. Quinn's office?

Also, with Rep. Kitchens permission, can you release the following drafts to Sen. Marklein?

LRB – 1260/P1

LRB – 1271/P1

LRB – 1276/P1

Regards,

Vince Williams
Legislative Aide & Committee Clerk
Office of State Senator Howard Marklein
17th Senate District
PO Box 7882
Madison, WI 53707-7882
www.legis.wisconsin.gov
(608) 266-0703 or (800) 978-8008

From: Tobias, Adam <Adam.Tobias@legis.wisconsin.gov>
Sent: Tuesday, March 12, 2019 4:52 PM
To: Gary, Aaron <Aaron.Gary@legis.wisconsin.gov>
Cc: Rep.Quinn <Rep.Quinn@legis.wisconsin.gov>; Schwerbel, Steven <Steven.Schwerbel@legis.wisconsin.gov>; Braatz, Ericka <Ericka.Braatz@legis.wisconsin.gov>; Sen.Marklein <Sen.Marklein@legis.wisconsin.gov>; Prange, Katy <Katy.Prange@legis.wisconsin.gov>
Subject: FW: Draft review: LRB -1259/P1

Aaron,

Can you please release LRB-1259 and its companion to the offices of Rep. Quinn and Sen. Marklein?

Please let us know if you have any questions.

Thanks!!!

Kindest regards,

Adam Tobias
Office of Rep. Joel Kitchens
1st Assembly District
608-266-5350
Room 312 North
Follow Rep. Kitchens on [Facebook](#) and [Twitter](#)

From: Rep.Kitchens <Rep.Kitchens@legis.wisconsin.gov>
Sent: Tuesday, February 19, 2019 3:49 PM
To: Tobias, Adam <Adam.Tobias@legis.wisconsin.gov>
Subject: FW: Draft review: LRB -1259/P1

Kindest regards,

Adam Tobias
Office of Rep. Joel Kitchens
1st Assembly District
608-266-5350
Room 312 North
Follow Rep. Kitchens on [Facebook](#) and [Twitter](#)

From: LRB.Legal <lrblegal@legis.wisconsin.gov>
Sent: Wednesday, February 6, 2019 3:48 PM
To: Rep.Kitchens <Rep.Kitchens@legis.wisconsin.gov>
Subject: Draft review: LRB -1259/P1

Following is the PDF version of draft LRB -1259/P1.



Today

in 3/15

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

No changes
except removing Note
on p. 2

1 **AN ACT to amend** 121.91 (4) (f) 1. and 121.91 (8) of the statutes; **relating to:** the
2 school district revenue limit adjustment for declining enrollment and the prior
3 year base revenue hold harmless adjustment.

Analysis by the Legislative Reference Bureau

This bill makes changes to the school district revenue limit adjustment for declining enrollment and terminates an adjustment establishing a minimum initial revenue limit, commonly known as the prior year base revenue hold harmless adjustment.

Current law generally limits the total amount of revenue per pupil a school district may receive from general school aids and property taxes in a school year to the amount of revenue received per pupil in the previous school year. Per pupil revenue is calculated using a three-year rolling average of pupil enrollment, comparing the average number of pupils enrolled in the three previous school years and the average of the number of pupils enrolled in the current and two preceding school years. There are several exceptions to the revenue limit, including a revenue limit adjustment for a school district with declining enrollment. If a school district's enrollment declines, its revenue limit is increased in the year of the decline by the amount of additional revenue that would have been allowed had there been no decline in enrollment.

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school years. Second, if a school district's enrollment declines, the school district receives an adjustment to its revenue limit equal to the allowable revenues that 90 percent of the decline in enrollment would have generated. However, there is a limit to this adjustment, as for purposes of the adjustment calculation a maximum 10 percent decline in enrollment is used.

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For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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3 year or any school year thereafter, if the average of the number of pupils enrolled in
4 the current and the 2 preceding school years is less than the average of the number
5 of pupils enrolled in the ~~3 previous~~ 2016-17, 2017-18, and 2018-19 school years, the
6 limit otherwise applicable under sub. (2m) is increased by the additional amount
7 that would have been calculated had ~~there been no~~ the decline in average enrollment
8 been 10 percent of what it was, except that, for a decline in average enrollment that
9 is greater than 10 percent, the additional amount calculated under this subdivision
10 shall be calculated as if the decline in average enrollment were 10 percent.

****NOTE: This draft does not make any change in s. 121.91 (4) (f) 1m. relating to the declining enrollment adjustment following a school district reorganization. The draft also does not make any change in s. 121.91 (4) (f) 2., which means that the adjustment continues to be a year-by-year adjustment that is not included in the base. Please advise if you would like additional changes made in s. 121.91 (4) (f) 1m. or 2.

11 **SECTION 2.** 121.91 (8) of the statutes is amended to read:

12 121.91 (8) If a school district's initial revenue limit for the current school year,
13 as calculated under s. 121.905 or sub. (2m), whichever is appropriate, before making

1 any adjustments under sub. (3) or (4), is less than the amount determined by
2 multiplying the amount under sub. (2m) (i) 1. by the average of the number of pupils
3 enrolled in the 3 preceding school years, the school district's initial revenue limit for
4 the current school year, before making any adjustments under sub. (3) or (4), is the
5 amount determined by multiplying the amount under sub. (2m) (i) 1. by the average
6 of the number of pupils enrolled in the 3 preceding school years. Any additional
7 revenue received by a school district as a result of this subsection shall not be
8 included in the base for determining the school district's limit under sub. (2m) for the
9 following school year. This subsection does not apply to a school district's revenue
10 limit calculated for the 2011-12 and, 2012-13, and 2019-20 school years or for any
11 school year after the 2019-20 school year.

12 (END)

Barman, Mike

From: LRB.Legal
To: Sen.Marklein@legis.wi.gov
Subject: Draft review: LRB -1259/1
Attachments: 19-1259/1

State of Wisconsin - Legislative Reference Bureau
One East Main Street - Suite 200 - Madison

The attached draft was prepared at your request. Please review it carefully to ensure that it satisfies your intent. If you have any questions concerning the draft or would like to have it redrafted, please contact Aaron R. Gary, Senior Legislative Attorney, at (608) 504-5850, at aaron.gary@legis.wisconsin.gov, or at One East Main Street, Suite 200.

We will jacket this draft for introduction in the Senate.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will submit a request to DOA when the draft is introduced. You may obtain a fiscal estimate on the draft prior to introduction by contacting our program assistants at LRB.Legal@legis.wisconsin.gov or at (608) 266-3561. If you requested a fiscal estimate on an earlier version of this draft and would like to obtain a fiscal estimate on the current version before it is introduced, you will need to request a revised fiscal estimate from our program assistants.

Please call our program assistants at (608) 266-3561 if you have any questions regarding this email.