



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #623

Revenue Limit Increases for School Safety Expenditures, School Nurse Compensation Costs, and Transportation Costs (DPI -- General School Aids and Revenue Limits)

[LFB 2009-11 Budget Summary: Pages 521-523, #8, 9, and 10]

CURRENT LAW

Under revenue limits, the amount of revenue a school district can raise from general school aids, computer aid, and property taxes is restricted. Actual general aids, computer aid, and property tax revenues received in the prior school year are used to establish the base year amount in order to compute the district's allowable revenue for the current school year. A per pupil revenue limit increase, which is adjusted annually for inflation, is added to the base revenue per pupil for the current school year. In 2008-09, this per pupil increase is \$274.68. Under revenue limits, three-year rolling averages of membership are used to calculate base year and current year revenues per pupil. There are several adjustments that are made to the standard revenue limit calculation, such as the low revenue ceiling and the declining enrollment adjustment. These adjustments generally increase a district's limit, providing the district with more revenue authority within the calculated limit. A school district can also exceed its revenue limit by receiving voter approval at a referendum.

GOVERNOR

Create three new nonrecurring revenue limit adjustments, beginning in the 2010-11 school year. Require a school board to adopt a resolution to increase its revenue limit under any of the three adjustments.

School Safety Expenditures

Provide that a district's revenue limit may be increased by a specified amount for certain expenses for school safety. Specify that a district may use funding generated by the revenue limit adjustment to purchase school safety equipment or fund the compensation costs of security officers. Specify that the amount of the revenue limit increase would be equal to the following:

- a. for the 2010-11 school year, \$33 times the number of pupils enrolled in the district or \$13,333, whichever is greater;
- b. for the 2011-12 school year, \$67 times the number of pupils enrolled in the district or \$26,227, whichever is greater; and
- c. for the 2012-13 school year and each year thereafter, \$100 times the number of pupils enrolled in the district or \$40,000, whichever is greater.

To receive the revenue limit adjustment, require a school board to jointly develop a school safety plan with a local law enforcement agency that specifies the purposes of the additional revenue and to submit the plan to DPI. Define "local law enforcement agency" to mean a governmental unit of one or more persons employed full time by a city, town, village, or county for the purpose of preventing and detecting crime and enforcing state laws or local ordinances, employees of which unit are authorized to make arrests for crimes while acting within the scope of their authority.

School Nurse Compensation Costs

Provide that a district's revenue limit may be increased by a portion of the amount spent by the district in that school year to pay the salary and fringe benefits costs of school nurses employed by the school board. Specify that the amount of the revenue limit adjustment would be equal to the following:

- a. for the 2010-11 school year, one-third of the costs;
- b. for the 2011-12 school year, two-thirds of the costs; and
- c. for the 2012-13 school year and each year thereafter, all of the costs.

Above-Average Transportation Costs

Provide that a district's revenue limit may be increased by a portion of the amount by which its transportation costs exceed the statewide average. Specify that this adjustment would be based on the difference, if positive, between the average amount spent by the district per pupil on transportation in the previous year and the statewide average amount per pupil spent on transportation in the previous year, multiplied by the number of pupils transported by the district

in the prior year. Specify that the amount of the revenue limit adjustment would be equal to the following:

- a. for the 2010-11 school year, one-third of the calculated amount;
- b. for the 2011-12 school year, two-thirds of the calculated amount; and
- c. for the 2012-13 school year and each year thereafter, all of the calculated amount.

DISCUSSION POINTS

Overview

1. The bill would provide additional revenue limit authority to districts to provide resources to fund three specific types of expenditures. The current adjustments under revenue limits tend to focus on classes of districts, such as districts with low revenue or districts with declining enrollment. A broader classification of expenditures, those for community service activities, have been exempted from revenue limits. The Governor's recommendations would represent the first time that adjustments would be provided for specific classes of expenditures under revenue limits, which the Executive Budget Book indicates are "not directly related to the delivery of instructional services."

2. Exempting certain expenditures from revenue limits could result in more pressure to exempt additional categories of expenditures. In the 1975-77 budget, cost controls were placed on school districts. Under the provisions, the annual change in shared cost per member generally could not exceed a statutorily-specified percentage. To exceed the controls, districts could either submit the excess cost to referendum or submit an appeal to DPI for certain statutorily-allowed classes of shared cost, such as development of new special education programs or utilization of a newly-constructed building. When the controls were put in place, there were five categories of costs that could be appealed to DPI. Prior to the repeal of the controls in the 1983-85 budget, there were 15 categories.

3. It could be argued that the revenue limit adjustments proposed by the Governor are overly prescriptive. While school security, school nurses, and pupil transportation may be important needs for some districts, other districts may have different needs that are more important depending on the situation of the district, such as energy costs, health care costs, or special education. By providing adjustments for three particular categories of costs, it may not address the needs of some districts. It could also lead some districts to allocate their resources inefficiently to take advantage of the adjustments.

4. If revenue limits are viewed as too restrictive for districts to fund school safety, school nurses, pupil transportation, or other district needs, other options are available for the Committee to provide districts additional resources within revenue limits.

5. In deciding whether to provide revenue limit adjustments for these three purposes, the Committee may wish to consider other resources that are available to districts for these areas. State categorical aid funding for school nurses and pupil transportation and federal aid for school security are described below under their respective sections.

6. The Committee could also choose not to provide revenue limit adjustments for the three expenditure categories under the bill (Alternatives A5, B4, and C4). If a district's revenue limit does not allow it to fund these activities, the district has the option under current law to propose a referendum. Using this option would ensure that there is local support of the district's decision to make these types of expenditures, before it can spend or tax at higher levels.

School Safety Expenditures

7. With respect to school safety, a number of recent events in the state and nation have raised the issue of the security of students and staff in schools, particularly those in the high school grades. DPI indicates that studies have shown that unsafe school environments can be a barrier to student achievement, and can also be a factor in children being truant from or dropping out of school.

8. Based on 2008-09 enrollment data, it is estimated that nearly \$28.5 million in revenue limit authority statewide would be generated in the first year of the school safety adjustment under the bill. Of the 426 districts in the state, 68 would have received the \$13,333 minimum adjustment under the bill, while the adjustment for the other 358 would be determined on a per pupil basis. Once fully implemented, it is estimated that this adjustment would generate over \$86 million in revenue limit authority statewide.

9. The Joint Legislative Council Special Committee on School Safety recommended that a revenue limit adjustment be provided for certain expenditures related to school safety. The provisions of AB 75, once fully implemented, would be generally consistent with the recommendations of the Special Committee.

10. The Joint Finance Committee could address the issue of the security plan required under the adjustment. Under the Governor's recommendation, districts choosing to use this revenue limit adjustment would have to jointly develop a school safety plan with a local law enforcement agency and submit the plan to DPI. This requirement could help to ensure that the school district and local law enforcement agency focus on using the revenue from the adjustment in an efficient manner.

11. State law currently requires school boards to have a school safety plan for each school in the district. The Committee could choose to require that the plan for the revenue limit adjustment be consistent with the plan required under current law (Alternative A2a). This provision was included in the recommendations of the Special Committee on School Safety.

12. However, because there is already a current law requirement for school safety plans and given that DPI would have no responsibility with respect to the plans required under the bill

other than to receive them from districts, the Committee could chose to delete the requirement for a second plan related to this adjustment (Alternative A2b).

13. Under the bill, the adjustment for school safety would be phased in over three years, with a minimum adjustment of \$40,000 when fully implemented. In the first year (2010-11), the minimum adjustment would be one-third of \$40,000, or \$13,333. To make the minimum adjustment in the second year (2011-12) equal to two-thirds of \$40,000, the Committee could modify the bill (Alternative A3) to specify that minimum be \$26,667, rather than \$26,227 as drafted in the bill.

14. Under Title IV-A of the federal Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act, funding is available under the Safe and Drug-Free Schools and Communities program for grants to school districts for drug and violence prevention programs. Among the allowable expenditures under the program are: (a) acquiring and installing metal detectors, electronic locks, surveillance cameras, or other related equipment and technologies; (b) reporting criminal offenses committed on school property; and (c) developing and implementing comprehensive school security plans or obtaining technical assistance concerning such plans. In 2008-09, school districts in Wisconsin received a total of \$3.6 million in grants under this program. However, the President has proposed eliminating this program in his 2009-10 federal budget request.

15. In her 2009-11 biennial agency budget request, the State Superintendent requested that a categorical appropriation be created to provide grants to districts for costs that are eligible for but do not receive reimbursement under the federal program. The Committee could utilize this approach choose and provide categorical aid for the purposes specified for the revenue limit adjustment in the bill (Alternative A4).

16. Under the bill, an increase of \$21.9 million in general school aids is provided in 2010-11. The estimated revenue limit authority from the three adjustments under the bill in 2010-11 is \$59.1 million. One option for the Committee would be to delete the proposed school safety revenue limit adjustment and, instead, shift a portion of the general aid increase under bill to a categorical aid appropriation, based on the percentage the school safety adjustment is of the three adjustments. Using this approach, the Committee could shift \$10,577,800 in 2010-11 from general school aids to a newly-created appropriation for school safety grants. The reduction in revenue limit authority would be greater than the reduction in general school aids, resulting in a lower statewide levy compared to the bill.

School Nurse Compensation Costs

17. School districts are required by statute to provide emergency nursing services. As a matter of practice, districts may also provide other medical services for students, including assistance in managing chronic illness, administering medication, and providing care to children with special medical needs. DPI indicates that Wisconsin's statewide nurse to pupil ratio does not meet the guidelines recommended by the federal government and professional nursing

organizations.

18. Cost data reported by districts to DPI indicates that \$29.3 million in 2007-08 was spent by 265 districts on salary and benefits costs of school nurses. Based on this data, it is estimated that the first year cost of this adjustment would be nearly \$9.8 million.

19. As drafted, the bill provision would provide an adjustment for compensation costs for school nurses employed by a school district. During the public hearings on the budget bill, staff from several districts appeared before the Committee in support of extending the proposed adjustment to include contracts with other entities for school nursing services. The Committee could choose to include these costs under the proposed adjustment (Alternative B2a). This would treat nursing services in a uniform manner whether the district finds it more efficient to have school nurses on staff or to have another entity provide the services in the district. DPI does not have information available on expenditures by districts for nursing service contracts.

20. The proposed adjustment for school safety under the bill would be based on a formula, while the proposed adjustment for above-average transportation costs would be based on prior year costs. The proposed adjustment for school nurse compensation costs, however, would be based on anticipated expenditures for the upcoming school year, which may differ from actual expenditures. To address this, the Committee could choose to modify the Governor's recommendation to specify that the adjustment be equal to the amount spent by a district in the second-previous year, so that it would be based on data on actual expenditures (Alternative B2b).

21. A categorical aid appropriation was created in the 2007-09 biennial budget for competitive grants to school districts, other than the Milwaukee Public Schools, for nursing services. In 2008-09, the appropriation is funded at \$250,000. Grants can be used to employ additional school nurses or contract for additional nursing services, and must be awarded to those school districts that demonstrate the greatest need for nursing services. Funds may not be used to supplant existing staff or services.

22. In her 2009-11 biennial budget request, the State Superintendent requested additional funding for this categorical appropriation. Consistent with this approach, the Committee could delete the proposed revenue limit adjustment and, instead, provide additional funding for grants for nursing services (Alternative 3). Similar to the methodology for the alternative for categorical funding for school safety grants described above, the Committee could shift \$3,643,000 in 2010-11 from general school aids to the grants for nursing services appropriation. The reduction in revenue limit authority would be greater than the reduction in general school aids, resulting in a lower statewide levy compared to the bill.

Above-Average Transportation Costs

23. Districts are generally required to provide transportation to all resident pupils living two or more miles from the nearest public school they are entitled to attend, with certain exceptions for pupils residing in cities or for districts containing cities. Districts are also generally required to

transport resident pupils attending private schools located two or more miles from their residence.

24. The most recent year for which audited data on transportation costs is available is 2007-08. Using the calculation in the bill as drafted, it is estimated that nearly \$17.2 million in revenue limit authority statewide would be generated in the first year of this adjustment for 249 eligible districts. Once fully implemented, it is estimated that this adjustment would generate nearly \$52 million in revenue limit authority.

25. In an errata request, DOA asked that the provision be clarified to specify that the difference between a district's cost and the statewide average cost be multiplied by the total membership of a district, not the number of pupils transported (Alternative C2a). Using the calculation in the bill as modified by the DOA errata, it is estimated that nearly \$20.8 million in revenue limit authority statewide would be generated in the first year of this adjustment for the 249 districts. Once fully implemented, it is estimated that this adjustment would generate over \$62 million in revenue limit authority.

26. The Department indicates that there could be a timing issue with the provision as drafted using prior year data. In a given school year, transportation cost data from the prior year would not be audited. The most recent audited data available would be for the second prior year. To use more reliable data, the Committee could choose to modify the calculation of the adjustment to instead use data from the second-previous school year (Alternative C2b).

27. Transportation costs can be particularly burdensome for geographically large districts with relatively small enrollments. These districts are generally less able to find efficiencies in their transportation operations, given the longer bus routes that have to be run for fewer pupils compared to smaller districts with a large number of pupils. To target this adjustment to those districts, an additional eligibility criteria could be specified that the district have a population density of less than 10 pupils per square mile (Alternative C2c). This criteria is also one of those used to determine eligibility for the categorical aid for sparsity. Under this alternative, based on 2007-08 data, it is estimated that 186 districts would be eligible for adjustments totaling \$9.7 million in the first year and nearly \$29 million when fully implemented.

28. Another option would be to provide additional funding to districts with high transportation costs through the current law categorical aid for pupil transportation. Similar to the methodology for the alternative for categorical funding for school safety grants described above, the Committee could delete the proposed adjustment and, instead, shift \$7,724,900 in 2010-11 from general school aids to pupil transportation aid and modify the aid rates for transported pupils (Alternative C3). While there are many possible options for modifying the per pupil aid rates, one way to distribute the increase in funding would be to change the payment for a pupil transported between 5 and 8 miles from \$55 to \$65, for pupils transported between 8 and 12 miles from \$110 to \$200, and for pupils transported 12 miles or more from \$220 to \$330. The reduction in revenue limit authority would be greater than the reduction in general school aids, resulting in a lower statewide levy compared to the bill.

Alternate Approaches

29. If the Committee wants to provide additional resources to school districts within the current revenue limit framework that could be used either for costs related to the adjustments in the bill or for other district needs, one option (Alternative D1) would be to increase the per pupil adjustment under revenue limits by an additional \$65 in 2010-11, to an estimated \$344 per pupil. This would generate the same amount of estimated additional revenue limit authority that would be utilized by districts in 2010-11 as under the provisions of the three proposed adjustments under AB 75. Compared to the Governor's recommendations, this alternative would give districts greater discretion in how they spend any additional revenue. Districts would also have the option of not using the additional revenue authority.

30. This option would be similar to what the State Superintendent requested in her 2009-11 biennial agency budget request, in which she recommended setting the per pupil adjustment at \$335 in 2009-10 and \$350 in 2010-11. The agency requested noted that this would give districts additional resources to provide educational programming and to address costs in areas over which districts have limited control, such as fuel and utilities.

31. There have also been a number of proposals discussed in the past to provide districts with some flexibility under revenue limits outside of the standard revenue limit calculation. One such proposal (Alternative D2) would allow a school board, by a two-thirds vote of its members by November 1 of a given year, to increase the district's revenue limit on a nonrecurring basis in a given year. The adjustment could be set at an amount equal to 1% of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current three-year rolling average pupil enrollment. This would provide local school boards with additional budgetary discretion and allow them to use any amount generated by this mechanism for whatever needs are most pressing in the district.

32. If this provision were effective in 2010-11, it is estimated that it would generate \$102 per pupil. If all districts utilized this flexibility, it is estimated that nearly \$87 million in revenue limit authority would be generated in 2010-11.

33. As noted under the other options, any proposal that would increase revenue limits without a corresponding increase in general school aids, would result in higher school property taxes, if school districts decide to use some, or all, of any additional revenue limit authority.

ALTERNATIVES

A. School Safety Expenditures

1. Approve the Governor's recommendation to create a revenue limit adjustment, phased in over three years, for school safety expenditures, and require a school board to jointly develop a school safety plan with a local law enforcement agency that specifies the purposes of the additional revenue.

2. Modify the Governor's recommendation regarding the plan required to use the adjustment to either:

a. require that the plan for the revenue limit adjustment be consistent with the school safety plan required under current law; or

b. delete the recommendation that an additional plan be required to use the adjustment.

3. In addition to any of the above, modify the Governor's recommendation to specify that the minimum adjustment in 2011-12 be \$26,667, rather than \$26,227.

4. Delete provision, and shift \$10,577,800 in 2010-11 from general school aids to a newly-created appropriation for aid to districts to purchase school safety equipment or fund the compensation costs of security officers. Provide that, if in any fiscal year appropriated funds are insufficient to pay all claims, aid would be prorated. Require DPI to promulgate rules specifying expenditures eligible for reimbursement from the appropriation.

5. Delete provision.

B. School Nurse Compensation Costs

1. Approve the Governor's recommendation to create a revenue limit adjustment, phased in over three years, for the salary and fringe benefits costs of school nurses employed by a school board.

2. Modify the Governor's recommendation to do either or both of the following:

a. include the salary and fringe benefits costs of school nurses providing nursing services in the district under a contract with a school board.

b. specify that the adjustment be equal to the amount spent by a district in the second-previous year.

3. Delete provision, and shift \$3,643,000 in 2010-11 from general school aids to the grants for nursing services categorical aid appropriation.

4. Delete provision.

C. Above-Average Transportation Costs

1. Approve the Governor's recommendation to create a revenue limit adjustment, phased in over three years, for above-average transportation costs, based on the difference between the amount spent per pupil by a district and the statewide average amount spent per pupil in the previous year, multiplied by the number of pupils transported by the district in the prior year.

2. Modify the Governor's recommendation to do any combination of the following:
 - a. As requested by DOA, specify that the difference in cost be multiplied by the total district membership, rather than the number of pupils transported.
 - b. Specify that the calculation use data from the second-previous year.
 - c. Specify that only districts with a population density of less than ten pupils per square mile would be eligible for the adjustment.
3. Delete provision, and shift \$7,724,900 in 2010-11 from general school aids to pupil transportation aid and increase the payment for a pupil transported between 5 and 8 miles from \$55 to \$65, for a pupil transported between 8 and 12 miles from \$110 to \$200, and for a pupil transported 12 miles or more from \$220 to \$330.
4. Delete provision.

D. Alternate Approaches

1. Delete provisions and, instead, increase the per pupil adjustment under revenue limits on a one-time basis by an additional \$65 in 2010-11 above the amount that results under the current law inflation adjustment. Specify that, beginning in 2011-12, the current law inflation adjustment would be applied to the higher 2010-11 per pupil adjustment.
2. Delete provisions and, instead, beginning in 2010-11, provide that a school board, by a two-thirds vote of its members by November 1 of a given year, would be allowed to increase the district's revenue limit, on a nonrecurring basis, by an amount equal to 1% of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current three-year rolling average pupil enrollment.
3. Maintain current law.

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