



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #624

Revenue Limit Calculation for Consolidated School District (DPI -- General School Aids and Revenue Limits)

[LFB 2009-11 Budget Summary: Page 523, #11]

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 district can also exceed its revenue limit by receiving voter approval at a referendum. A school board must approve a resolution supporting inclusion in the district budget an amount which exceeds the revenue limit. The resolution must specify whether the proposed excess revenue is for a recurring or nonrecurring purpose, or both. If the referendum is recurring, the amount of excess revenue is added to the district's revenue limit calculation in the specified year and remains in the district's base revenue in subsequent years. If the referendum is nonrecurring, the amount of excess revenue is added to the district's revenue limit calculation in the specified year, but then removed from the district's base revenues in the following year. A referendum for either recurring or nonrecurring purposes can be for one year or multiple years.

School district consolidation may be initiated by the adoption of resolutions by two or

more school boards stating that they will consider consolidating their districts. In the first July following adoption of the resolutions to consider consolidation, the affected boards may order the districts consolidated by adoption of resolutions ordering the consolidation. A consolidation may occur only if all of the affected boards agree by August 1. If the board of each affected district adopts a resolution ordering the consolidation, the consolidation takes effect on the next July 1, unless a referendum is required. On the effective consolidation date of two or more districts, the districts that were consolidated cease to exist. Title to all property and the assets of the districts become vested in the new consolidated district. Claims, obligations, and contracts of the districts become claims, obligations, and contracts of the new consolidated district.

GOVERNOR

Specify that state aid, property tax, and pupil enrollment data needed to calculate the revenue limit of a consolidated school district from school years prior to the consolidation would be equal to the sum of the figures for all of the districts involved in the consolidation. Also, specify that any additional revenue limit authority approved by referendum for one or more of the affected districts in a consolidation would expire on the effective date of the consolidation. These provisions would first apply to a school district consolidation that takes effect on July 1, 2009.

DISCUSSION POINTS

1. In the last 10 years, there has been one school consolidation, with the Trevor School District and the Wilmot School District consolidating to form the Trevor-Wilmot School District effective in the 2006-07 school year. In July, 2008, the school boards of the Park Falls School District and the Glidden School District voted to consolidate to form the Chequamegon School District beginning in the 2009-10 school year. This consolidation was approved by voters in each of the districts.

2. The provisions in the bill would clarify ambiguities in the law regarding the calculation of revenue limits for districts that consolidate. The bill provision regarding use of data from prior years would seem consistent with the legal treatment of a consolidated district under other provisions of law, insofar as the assets of the individual districts are combined in the new consolidated district. It would also codify the methodology used by the Department of Public Instruction (DPI) in calculating the revenue limit for the Trevor-Wilmot School District.

3. Under the bill, any additional revenue limit authority approved by referendum for one or more of the affected districts in a consolidation would expire on the effective date of the consolidation. It could be argued that this bill provision is consistent with the legal treatment of a consolidated district in that the individual districts cease to exist after the consolidation takes effect, and that the district whose revenue limit would be increased would no longer be a legal entity. Also, voters in the other individual districts involved in the consolidation would not have approved the additional revenue.

4. Voters in the Glidden School District approved a nonrecurring referendum on April 3, 2007, to exceed the revenue limit by \$150,000 in 2007-08, \$250,000 in 2008-09, and \$350,000 in

2009-10. Under the bill, the \$350,000 referendum adjustment would not be added to the revenue limit for the Chequamegon School District in 2009-10.

5. This provision could be interpreted as applying to a recurring referendum passed in a prior year that specified one amount to be added to a district's budget in one particular year that would be in the district's base at the time of consolidation. It would arguably be unfair to cancel the approval of a referendum passed during the 1990s, for example, because a district chooses to consolidate. It would also be inconsistent with the bill provision on use of prior years data, under which the general aid and property tax levy (which would be the result of spending authority from any referendum) of the individual districts would be the starting point of the revenue limit calculation for the consolidated district. To clarify this provision, the Committee could choose to modify the bill by specifying that only the additional revenue limit authority approved by referendum for the years after a consolidation takes effect would expire (Alternative B2).

6. However, it could be argued that any additional revenue limit authority from a referendum approved in an individual district should carry over to the consolidated district (Alternative B3). The affected school boards and voters would have that information available when making the decision as to whether to consolidate. It could also be argued that the revenue limit authority should carry over to the consolidated district, similar to contracts and obligations of the district. Finally, if the board of the consolidated district does not want to use to the authority associated with an individual district's prior referendum, they would not have to the levy the maximum amount allowed under revenue limits.

ALTERNATIVES

A. Data from Prior Years

1. Approve the Governor's recommendation to specify that state aid, property tax, and pupil enrollment data needed to calculate the revenue limit of a consolidated school district from school years prior to the consolidation would be equal to the sum of the figures for all of the districts involved in the consolidation.

2. Delete provision.

B. Treatment of Referenda

1. Approve the Governor's recommendation to specify that any additional revenue limit authority approved by referendum for one or more of the affected districts in a consolidation would expire on the effective date of the consolidation.

2. Modify the Governor's recommendation to specify that any additional revenue limit authority that would be added in any years after a consolidation is effective would expire on the effective date of the consolidation.

3. Delete provision.

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