

You will chair for the following bill.

Senate Bill 268 – School District Debt and Revenue Limits

Recommendation

Support the bill in its current form (i.e. with the standing committee amendments).

Bill History

Introduced on 07/29/97 by C. Potter/Otte; passage recommended by Senate Committee on Education of SSA 1 on a (7-0) vote and overall passage as amended recommended (6-1) on 11/14/97; SA 1 to SSA 1 offered by Sen. Roessler on 11/18/97; referred to JFC on 11/18/97.

Executive Action Needed

Adopt SA 1 to SSA 1.
Adopt SSA 1.
Adopt any amendments introduced today.
Recommend passage as amended.

Note

The bill would allow districts to make room under their revenue cap "carve out" for capital costs associated with building maintenance. It would have no effect on Milwaukee schools, but is greatly coveted by wealthier suburbs ringing the city. Proponents say they can't pass referendums for these expenses because the 3-tier formula penalizes them for additional dollars raised. In other words, they might have to bond \$170,000 for a \$100,000 project which offends the good accountancy genes dominant in Whitefish Bay.

SSA 1 make sure any increases would come from local levies and would be excluded from the definition of partial school revenues, and thus would not effect the state's commitment to funding two thirds.

SA 1 to SSA 1 would require school boards to adopt a resolution specifying how the funds would be used.

Beware: when the Assembly took a crack at this, they tried a lot of weird amendments, such as a requirement for a unanimous vote by school boards, etc.

Pros: This is a Sen. Potter bill and you are viewed in heroic terms by its backers. You are the only reason it has made it this far. Also, we should not be in the business of denying school districts the resources they need to provide the best possible education, regardless of zip code. Also, it restores some local control.

Cons: It helps those who need help least. In this realm of gross inequities, this doesn't do much for the bottom end. It also could, in the perverse world of aid formulas, actually create a slight redistribution (in the wrong direction). While all the additional money authorized under this bill would be raised by local levies, by excluding this money from formula calculation, it could slightly increase aid to wealthy districts (in ways only Bob Soldner could explain).



Legislative Fiscal Bureau

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March 11, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 268: School District Debt and Revenue Limits

Senate Bill 268 would modify the process that school districts are required to follow for issuing debt and the treatment of debt service costs under state imposed revenue limits and the equalization aid formula. SB 268 was introduced on July 29, 1997, and referred to the Senate Committee on Education. On November 14, 1997, the Senate Committee on Education adopted Senate Substitute Amendment 1 to SB 268 on a vote of 7-0 and recommended the bill for passage on a vote of 6-1. On November 18, 1997, the bill was referred to the Joint Committee on Finance. Senate Amendment 1 to SSA 1 to SB 268 was offered on November 18, 1997.

BACKGROUND

Under current law, if a school board or the electors at a school district meeting adopt an initial resolution to raise money by issuing a bond and that bond will cause the aggregate outstanding indebtedness of the school district incurred without a referendum since August 9, 1989, to exceed \$1,000,000 or an amount determined by multiplying the school district's membership by 1.5% of the statewide average property tax base per pupil, whichever is less, the school board must do one of the following:

- a. Direct the school district clerk to call a special election to submit the initial resolution to the electors at a binding referendum; or
- b. Specify in the initial resolution the date, time and place for a public hearing on the resolution. The school board must also specify whether the public hearing will be for

informational purposes only or whether the electors at the public hearing will have an opportunity to vote on whether a binding referendum will be held.

If the school board decides to hold a public hearing for informational purposes only, the resolution is effective unless a sufficient number of electors files a petition for a binding referendum on the resolution within 30 days of the public hearing.

If the school board decides to hold a public hearing at which the electors present may vote on whether a binding referendum will be held, one of the following must occur:

- a. A majority of the electors present and voting at the hearing determine that a referendum will be held. If this occurs, the resolution is effective unless a sufficient number of electors files a petition for a binding referendum on the resolution within 30 days of the public hearing; or
- b. A majority of the electors present and voting at the hearing determine that no referendum will be held. If this occurs, the resolution is effective unless a sufficient number of electors files a petition for a binding referendum on the resolution within 30 days of the public hearing.

If a school board adopts an initial resolution to issue a promissory note, a referendum will be held only if the amount of money borrowed will cause the aggregate outstanding indebtedness of the school district incurred without a referendum since August 9, 1989, to exceed \$1,000,000 or an amount determined by multiplying the school district's membership by 1.5% of the statewide average property tax base per pupil, whichever is less, and a petition is filed and signed by a sufficient number of school district electors.

SUMMARY OF SENATE BILL 268 AS INTRODUCED

Under the provisions of the bill, as introduced, the current law restrictions on school boards would apply only if the bond or promissory note would cause the aggregate amount of outstanding indebtedness of the school district incurred without a referendum since August 9, 1989, to exceed \$250,000 or the amount determined by multiplying the school district's membership by \$350, whichever is greater.

The bill would also increase a school district's revenue limit by the amount needed to pay debt service on a bond or promissory note authorized on or after the effective date of this bill by a school board resolution if the issuance of the bond or note was not subject to a referendum as a result of the bill's provisions.

In addition, the bill would exclude from a school district's shared cost (prior year costs aidable through the general equalization aid formula) the debt service on debt that was not subject to a referendum as a result of the bill's provision.

SUMMARY OF SENATE SUBSTITUTE AMENDMENT 1 TO SB 268

Senate Substitute Amendment 1 to Senate Bill 268 would create an alternative method for school districts to issue bonds or promissory notes without conducting a referendum. Under SSA 1, a school district could issue bonds or promissory notes without conducting a referendum if the aggregate amount of outstanding indebtedness of the school district incurred without a referendum pursuant to the proposed procedure would not exceed \$250,000 or an amount determined by multiplying the school district's membership by \$350, whichever is greater. The school board would be allowed to use the funds only for capital expenditures. These provisions would first apply to initial resolutions adopted on the effective date of the bill. SSA 1 would retain current law relating to the issuance of bonds and promissory notes without the necessity of a referendum.

The substitute amendment would exclude the debt service on debt issued under the proposed procedures from shared costs that would otherwise be aided under the equalization aid formula. This provision would first apply to the payment of state aid in the school year beginning after the date of publication. SSA 1 would increase a school district's revenue limit by the amount needed for the payment of any general obligation debt service incurred under the proposed procedures. However, this increase would be excluded from the definition of partial school revenues; thus, the State's commitment to fund two-thirds of partial school revenues would not increase.

SSA 1 to SB 268 would exclude the property taxes levied for the purpose of paying the principal and interest on valid bonds or notes issued by the school board from the current law provision that allows a court to order a school board to reduce property tax obligations to taxpayers by the amount a school board has exceeded the state imposed revenue limits.

SSA 1 to SB 268 would apply to every school district in the state, except for Milwaukee's public school district, because Milwaukee Public Schools is not authorized to issue debt on its own behalf. The effective date of the act would be on the July 1 after the publication date.

SUMMARY OF SENATE AMENDMENT 1 TO SSA 1 TO SB 268

SSA 1 to SB 268 would specify that school boards could only use the proceeds from any bonds or notes issued under the provisions of SSA 1 for capital expenditures. SA 1 to SSA 1 to SB 268 would replace this restriction with the requirement that the school board would have to adopt a resolution specifying how the funds would be used. SA 1 would also provide that the funds could only be used for a capital expenditure for one of the following purposes: (a) building maintenance; (b) protection of the public health or safety; (c) to comply with certain requirements of federal law relating to individuals with disabilities; and (d) educational technology.

FISCAL EFFECT

SSA 1 to SB 268 would not increase the State's commitment to fund two-thirds of partial school revenues. Therefore, no increase in state appropriations would result from this bill. However, the substitute amendment could increase school district property tax levies, but the amount is not determinable.

In addition, with the exclusion of certain debt service costs from aidable shared costs under the equalization aid formula, a redistribution of aids would occur under SSA 1 to SB 268. Those school districts that would have positive secondary aid partially offset by negative tertiary aid under current law, would receive additional equalization aid under the proposal at the expense of other school districts. These negative tertiary aid districts have an equalized value per member that is above the statewide average and shared costs per member that exceed the secondary cost ceiling. In 1997-98, there are 91 school districts that have positive secondary aid that is partially offset by negative tertiary aid that would have benefited from this bill provision on any bonds issued under the bill, if it had been in effect for that year.

Prepared by: Dave Loppnow and Bob Soldner

MO#	SAI to SSA 1			MO#	SSA 1 as amended			MO#	Passage as amended			
	BURKE	(Y)	N	A	BURKE	(Y)	N	A	BURKE	(Y)	N	A
	DECKER	(Y)	N	A	DECKER	(Y)	N	A	DECKER	(Y)	N	A
	JAUCH	(Y)	N	A	JAUCH	(Y)	N	A	JAUCH	(Y)	N	A
	SHIBILSKI	(Y)	N	(A)	SHIBILSKI	(Y)	N	(A)	SHIBILSKI	(Y)	N	(A)
	COWLES	(Y)	N	(A)	COWLES	(Y)	N	(A)	COWLES	(Y)	N	(A)
	PANZER	(Y)	N	(A)	PANZER	(Y)	N	(A)	PANZER	(Y)	N	(A)
	SCHULTZ	(Y)	(N)	A	SCHULTZ	(Y)	(N)	A	SCHULTZ	(Y)	(N)	A
	ROSENZWEIG	(Y)	N	A	ROSENZWEIG	(Y)	N	A	ROSENZWEIG	(Y)	N	A
2	GARD	(Y)	N	A	GARD	(Y)	N	A	GARD	(Y)	(N)	A
	OURADA	(Y)	N	A	OURADA	(Y)	N	A	OURADA	(Y)	(N)	A
	HARSDORF	(Y)	N	A	HARSDORF	(Y)	N	A	HARSDORF	(Y)	(N)	A
	ALBERS	(Y)	N	A	ALBERS	(Y)	N	A	ALBERS	(Y)	(N)	A
	PORTER	(Y)	N	A	PORTER	(Y)	N	A	PORTER	(Y)	(N)	A
	KAUFERT	(Y)	N	A	KAUFERT	(Y)	N	A	KAUFERT	(Y)	(N)	A
	LINTON	(Y)	N	A	LINTON	(Y)	N	A	LINTON	(Y)	N	A
	COGGS	(Y)	N	(A)	COGGS	(Y)	N	(A)	COGGS	(Y)	N	(A)
	AYE 12	NO 1	ABS 3		AYE 9	NO 5	ABS 3		AYE 6	NO 8	ABS 2	