

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Senate Committee on
Education (SC-Ed)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 97hrSC-Ed_Misc_pt09

➤ Record of Comm. Proceedings ... RCP

➤ **



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536
Telephone (608) 266-1304
Fax (608) 266-3830

DATE: November 14, 1997
TO: SENATOR CALVIN POTTER; OTHER INTERESTED LEGISLATORS
FROM: Russ Whitesel, Senior Staff Attorney
SUBJECT: 1997 Senate Bill 268 and Senate Substitute Amendment 1 to Senate Bill 268, Relating to School District Bonds, Promissory Notes and Revenue Limits and Excluding Certain Debt Service From a School-Shared Cost

This memorandum provides a description of 1997 Senate Bill 268, relating to school district bonds, promissory notes and revenue limits and excluding certain debt service from a school district's shared cost. The memorandum also describes the provisions of Senate Substitute Amendment 1 to 1997 Senate Bill 268. A brief legislative history is also provided.

1. Legislative History

1997 Senate Bill 268 was introduced on July 29, 1997 by Senator Potter; cosponsored by Representative Otte and others; and referred to the Senate Committee on Education. A public hearing was held on October 22, 1997. At an executive session on November 12, 1997, the Senate Committee voted to introduce and adopt Senate Substitute Amendment 1 and voted to recommend passage of the Bill as amended on a vote of Ayes, 7; Noes, 1.

2. Provisions of 1997 Senate Bill 268

Under current statutes, 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 million or an amount determined by multiplying the school district's enrollment 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.

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 will 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.

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 million or an amount determined by multiplying the school district's enrollment 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. Senate Bill 268, as originally drafted, provides that the above provisions apply only if the bond or promissory note will 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 enrollment by \$350, whichever is greater.

Senate Bill 268 also increases 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 new provision described above.

Finally, the Bill excludes from a school district's shared cost (costs that are aidable through the general aid formula) debt service on debt that was not subject to a referendum as a result of the new provision described above.

3. Senate Substitute Amendment 1

Senate Substitute Amendment 1 makes a number of changes in the original legislation.

The Substitute Amendment *retains* the current law described in Section 2., above, relating to the issuance of bonds or promissory notes without the necessity of a referendum. The

Substitute Amendment creates an *alternative method* for school districts to issue bonds or promissory notes without conducting a referendum election. Under the Substitute Amendment, the school district may issue bonds or promissory notes without conducting a referendum election if the aggregate amount of outstanding indebtedness of the school district incurred without a referendum pursuant to the new procedure created by the Substitute Amendment since the date the new procedure takes effect does not exceed the \$250,000 or an amount determined by multiplying the school district's membership by \$350, whichever is greater.

The Substitute Amendment excludes the debt service on debt issued under the new procedures from the shared cost formula. In addition, the Substitute Amendment excludes the property taxes levied to pay the debt service on such debt from the calculation of the state's 2/3 funding commitment. In addition, the Substitute Amendment increases the school district's revenue limit by the amount needed for the payment of any general obligation debt service incurred under the new procedure.

The Substitute Amendment also provides that the school board may use the funds only for a capital expenditure.

Under current law, s. 121.92 (2) (c), Stats., a court may order a school board to reduce property tax obligations to taxpayers by the amount a school board has exceeded the legal revenue limits. Further, if a school board violates a court order, any resident of the school district may seek injunctive relief. This statutory section has been cited by various persons, including bond counsel, as a reason that bonds that are not subject to a referendum may not be given the legal approval of bond counsel. This has precluded the sale of nonreferendum bonds on the private market. The Substitute Amendment provides that this provision does not apply to property taxes levied for the purpose of paying the principal and interest on valid bonds or notes issued by the school board. The intent of the change is to remove the uncertainty regarding the use of s. 121.92 (2) (c), Stats., to reduce property taxes in a manner that would jeopardize principal and interest payments on nonreferendum bonds.

The Substitute Amendment contains an initial applicability section which provides that the portion of the Bill dealing with shared cost first applies to the payment of state aid in the school year beginning after publication. The Substitute Amendment also provides that the treatment of the sections regarding the bonding authority first applies to initial resolutions adopted on the effective date of the legislation. The Substitute Amendment provides that the Act takes effect on the July 1 after publication.

If you have any questions regarding this legislation, please feel free to contact me directly at the Legislative Council Staff offices.

RW:jt:ksm:rv;jt

Post-It™ brand fax transmittal memo 7671 # of pages ▶ 9

To Rachel Taknint	From Paul Rusk
Co.	Co. Sen Potter
Dept.	Phone # 266 2056
Fax # 44 299 5727	Fax #

Post-It™ telephone message pad 7660

To FR
 Date 10/27 Time 12:08

WHILE YOU WERE OUT

M Rachel Taknet (sp?)
 of 44 299 5727
 Phone No. 44-299-5614

TELEPHONED	<input checked="" type="checkbox"/>	PLEASE CALL	<input checked="" type="checkbox"/>
WAS IN TO SEE YOU		WILL CALL BACK	
WANTS TO SEE YOU		URGENT	
RETURNED YOUR CALL			

Message Re/vote on their
bill (AB 268)
Fiscal Estimate
WEME
 Operator _____

WISCONSIN EDUCATION ASSOCIATION COUNCIL

Affiliated with the National Education Association

Testimony of John Stocks
Director of WEAC Government Relations Division
to
the Senate Education Committee
October 22, 1997

Senate Bill 268, which makes changes to school district bond authority, gives school districts greater flexibility in some areas, but harms districts in other areas.

WEAC supports the provision permitting districts the ability to determine aggregate indebtedness based on enrollment. We believe this could benefit larger districts and that the current \$1,000,000 authority limits the ability of larger school districts to fund smaller projects without going to referendum.

In addition, WEAC supports the provision that increases a school district's revenue limit by the amount needed to pay debt service on a bond or promissory note not subject to a referendum under this proposal.

However, WEAC opposes lowering the aggregate indebtedness from \$1,000,000 to as low as \$250,000. It is our opinion that this will adversely affect smaller school districts. Also, WEAC has concerns about the provision excluding from shared cost debt service on debt that would not be subject to a referendum according to the changes in the bill. Excluding some costs from the formula is disqualifying, because those costs would be supported solely by the property tax.

Terry Craney, President
Charles N. Lentz, Executive Secretary

October 22, 1997

Dear Legislators,

I'm a school board member from the Middleton/Cross Plains Area School District. Senate Bill 268 provides an important safety valve to school districts around the state. Most are struggling with revenue caps. Typically, 80-85% of school budgets is for salaries and benefits. That leaves 15-20% for heat, light, books, computers, roofs, athletic fields, and all the other things that make up a quality educational program. It's scary to think about how we can meet unanticipated emergency expenses, or how we can find the budget flexibility to pilot something new.

Prior to revenue caps, local school boards decided on their budgets and presented their plans to local taxpayers at the district's annual meeting. Under revenue caps, many school boards no longer set the budget amount. Their role is only to allocate the funds they are permitted to spend under the caps. Senate Bill 268 restores some budgetary authority to local boards.

Excluding these expenditures from shared costs is a benefit for those districts like Middleton/Cross Plains with an adequate tax base to raise the revenue. Because of the peculiarities of the new three tiered formula, we have to raise \$1.68 from the local property tax to have an additional \$1.00 to spend on shared costs. By excluding relatively minor, one time expenditures from shared costs, we get a full dollar for each dollar raised. Districts without an adequate tax base are not necessarily penalized, because they can still go to referendum for these items, just as they do now. Districts that only have to raise 30 cents to get a dollar for expenditures should have an easier time passing a referendum than districts like ours that have to raise 68% more than we will spend. Finally, the state benefits because you do not have to pay a share of these additional expenses. But most importantly, our children will benefit, because we will not have to cut services to pay for capital items.

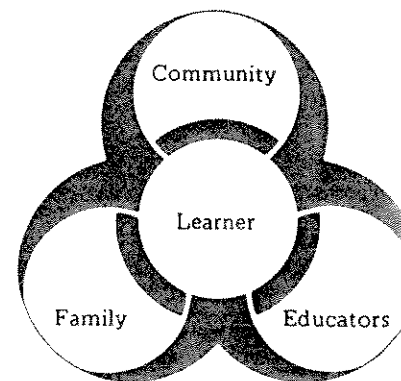
I hope you will support this bill. It provides school boards with a tool to cover expenses for special problems or opportunities.

Thank you,
Janet Kane
School Board Member
Middleton/Cross Plains Area School District

KAUKAUNA AREA SCHOOL DISTRICT

BOARD AND ADMINISTRATION CENTER
112 MAIN AVENUE
KAUKAUNA, WISCONSIN 54130
(920) 766-6100
FAX (920) 766-6104

DR. LEE J. SIUDZINSKI – Superintendent



WHERE CHILDREN COME FIRST

October 16, 1997

Senator Calvin Potter
State Capital
Room 334 South
P.O. Box 7882
Madison, WI 53707-7882

Dear Senator Potter:

Thank you for introducing 1997 Senate Bill 268. I am unable to attend the hearing on October 22, please consider this letter my testimony of support. I along with the School Administrators Alliance support this legislation because it provides Districts an alternative to finance projects that they could not afford under the current revenue limits. Projects such as major maintenance, ADA adaptations, or improved technology.

This legislation is also responsible to the taxpayer. If the community is truly against additional borrowing, it has the option to petition for a referendum. It is also sensitive to the State's concern over providing the promised two-thirds funding, by having the borrowing under this legislation, exempt from shared costs.

I appreciate your support of this issue. If you have any questions or concerns I can address, please feel free to contact me.

Sincerely,

Sue Freeze
Director of Business Services



SCHOOL ADMINISTRATORS ALLIANCE

4707 Hayes Rd
2nd Floor
Madison, WI 53704
(608) 242-1370
FAX (608) 242-1290

October 20, 1997

James M. Lynch
Director of
Government Relations

An Alliance of:

Association of
Wisconsin School
Administrators
Tim Laatsch
Executive Director

Wisconsin Association
of School District
Administrators
Miles Turner
Executive Director

Wisconsin Association
of School Business
Officials
Don Ardenovitch
Executive Director

Wisconsin Council for
Administrators of
Special Services
Chuck Hastert
President

Senator Calvin Potter
PO Box 7882
Madison, WI 53707

Via Fax: 267-6796

Dear Senator Potter:

I am writing to express the School Administrators Alliance' support for Senate Bill 268. Unfortunately I will be unable to attend the October 22, Senate Education Committee public hearing on the bill.

SB 268 would address the lack of flexibility school districts currently have to make prudent investments for capital and other improvements under the revenue limits. Over time this lack of flexibility has and will run contrary to school districts efforts to efficiently provide safe and healthy buildings for students (e.g. delaying building maintenance until small problems become bigger, and costlier problems).

In 1989, the Wisconsin Legislature passed "Aging Schools" legislation. This legislative package was passed based on concerns involving the condition of Wisconsin's school buildings.

The "Aging Schools" legislation provided that:

- Districts could borrow up to \$1 million without going to referendum or (subject to petition).
- Exempted referendum requirements for borrowing if a school district was ordered by a court or a state or federal agency to remove hazardous substance from a school; or the school district was ordered by a court, state agency or fire chief to remedy any violation of a state statute or local ordinance relating to fire hazards.
- Required the State Board of Commissioners of Public Lands to lend at least 50% of the money available for state trust fund loans to school districts.

While these provisions remain in statute, the revenue controls placed upon school districts in 1993 removed much of these provisions utility to school districts. There continues to be a need for the "aging schools" provisions. A 1995 study conducted by the Association of Wisconsin School Administrators reported that 67% of Wisconsin's schools were built prior to 1950, and nearly one-fourth before 1940.

10/20/97 10:00 AM 2000-10-20 10:00 AM

Senator Potter
October 20, 1997
Page 2

The negative implications for removing the practical value of the "aging schools" provisions to districts in 1993, are becoming clear.

- A 1996 study conducted by the Wisconsin Association of School District Administrators on the impact of the revenue limits on school districts found that 50.2% of responding districts reported that they are delaying building and maintenance projects due to the caps.
- In FY 1993, the year revenue limits were placed on schools, 54.3% of State Trust Fund loans were made to school districts (thus meeting the legislature's intended goal that 50% of these loans would go to the state's public schools). In FY 1995, the percentage of State Trust Fund loans granted to school districts dropped to 26.6%. School districts have traditionally used these loans to finance projects such as building repairs and additions, technology, and Americans with Disabilities Act (ADA) modifications.

SB 268 would help school districts ensure that facilities are properly maintained to protect the children who attend our schools' and the public's investment in these facilities. Furthermore the bill could be strengthened by raising the amount of outstanding indebtedness that could be incurred under the bill from \$250,000.00 to \$500,000 or \$750,000 to allow small districts the flexibility for projects such as replacing a roof (which in most cases will exceed \$250,000).

If you have any questions regarding the SAA's support of SB 268, contact me at (608)242-1370.

Sincerely,



James M. Lynch
Director of Government Relations



State of Wisconsin Department of Public Instruction

Mailing Address: P.O. Box 7841, Madison, WI 53707-7841
125 South Webster Street, Madison, WI 53702
(608) 266-3390 TDD (608) 267-2427 FAX (608) 267-1052
Internet Address: www.dpi.state.wi.us

John T. Benson
State Superintendent

Steven B. Dold
Deputy State Superintendent

Date: October 22, 1997

TO: Senate Education Committee
Senator Calvin Potter, Chair

FROM: Steven B. Dold, *ABD* Deputy State Superintendent

RE: Senate Bill 268

SB 268 changes the amount of money that a school district may borrow without referendum from \$1,000,000 (or a formula amount based on statewide average property value and school district membership) to \$250,000, or the amount determined by multiplying the school district's enrollment by \$350, whichever is greater. It also excludes from shared cost debt service on debt that was not subject to a referendum as a result of these proposed changes.

The Department of Public Instruction supports the provision permitting districts the ability to determine aggregate indebtedness based on enrollment. We believe this could benefit larger districts and that the current \$1,000,000 authority limits the ability of larger school districts to fund smaller projects without going to referendum. Multiplying the school's enrollment by \$350 to determine the aggregate amount of outstanding indebtedness that the school district may incur without a referendum will give districts more flexibility to locally manage their financial needs.

Additionally, the Department supports the provision that increases a school district's revenue limit by the amount needed to pay debt service on a bond or promissory note not subject to a referendum under this proposal. It is a recognition that treatment of debt service for debt authorized by state statute without referendum should be treated the same as debt subject to referendum by state statute.

The Department opposes lowering the aggregate indebtedness from \$1,000,000 to as low as \$250,000. It is our opinion that this will adversely affect smaller school districts. Lowering the permitted aggregate indebtedness will force more districts to referendum, limit their flexibility to borrow for small projects and further erode the decision-making ability of local school boards.

The Department also opposes the provision excluding from shared cost debt service on debt that would not be subject to a referendum according to the changes in the bill. The department believes that all school district costs should be shared under the equalization aid formula. Excluding some costs from the formula is disequalizing, because those costs would be supported solely by the property tax, thus making it easier for wealthier districts with high tax bases to raise the needed revenue. In addition, taxpayers in districts with low property value that receive more state aid under the equalization aid formula would be adversely affected while districts with comparatively high spending levels and property wealth would suffer no aid penalty. This could, as a result, further disequalize the current state aid formula.

The Department would be pleased to discuss these and other provisions in SB 268. Please contact Jerry Landmark, Consultant, School Financial Services, at 266-1647 with questions and comments.

WISCONSIN EDUCATION ASSOCIATION COUNCIL

Affiliated with the National Education Association

Testimony of John Stocks
Director of WEAC Government Relations Division
to
the Senate Education Committee
October 22, 1997

Senate Bill 268, which makes changes to school district bond authority, gives school districts greater flexibility in some areas, but harms districts in other areas.

WEAC supports the provision permitting districts the ability to determine aggregate indebtedness based on enrollment. We believe this could benefit larger districts and that the current \$1,000,000 authority limits the ability of larger school districts to fund smaller projects without going to referendum.

In addition, WEAC supports the provision that increases a school district's revenue limit by the amount needed to pay debt service on a bond or promissory note not subject to a referendum under this proposal.

However, WEAC opposes lowering the aggregate indebtedness from \$1,000,000 to as low as \$250,000. It is our opinion that this will adversely affect smaller school districts. Also, WEAC has concerns about the provision excluding from shared cost debt service on debt that would not be subject to a referendum according to the changes in the bill. Excluding some costs from the formula is disqualifying, because those costs would be supported solely by the property tax.

Terry Craney, President
Charles N. Lentz, Executive Secretary

**SENATE EDUCATION COMMITTEE
SB268**

Background

**School Board support of SB268
School Board use of 67.12(12)
Revenue Limits restricting Fund 40 and 10 with declining
enrollments in conjunction with labor expense increases**

Specific Support

**New initiative start up costs would have source of funding
Infrastructure needs would have source of funding
Local decision for local taxpayers without sharing costs with
state**

Suggestions

**Legal counsel review to allow for Bond Counsel Opinion
Allow for some School Board flexibility like 65.90
Allow use of 67.12(12) notes**

Summary

Support with possibility for legal fine tuning

Questions

Woody Wiedenhoef representing the School District of La Crosse on October 22, 1997

*Bond
statute
excluded*
*must go through state trust funds as
(notes to be issued) worked with higher
rates*

Wexler, James

From: jgermain@aero.net[SMTP:jgermain@aero.net]
Sent: Thursday, October 23, 1997 1:29 PM
To: Sen.Potter
Cc: Sen.Grobschmidt; Sen.Shibilski; Sen.Jauch; Sen.Darling; Sen.Huelsman; Sen.Roessler; Dr. William Hughes, Superintendent
Subject: Senate Education Committee Hearing SB 268

I appreciate the opportunity to speak on behalf of SB 268 at the hearing yesterday. The Greendale School Board, again, wishes to urge you to continue your efforts to support this bill. This bill represents a very essential piece of legislation which our district sorely needs.

We support maintaining the amount at \$350 per student, a supermajority board vote, limited to capital repairs and maintenance, excluding major renovation and building addition projects, borrowing outside the revenue caps, outside of the state revenue sharing formulas, restricted to districts with small to moderate surpluses, to be in addition to the \$1 million current borrowing authority and providing the ability for the taxpayers to override the school board by referendum similar to the ability attached to the current \$1 million borrowing authority.

A bill of this type "should be" easy to support, since the amount is small, would require a supermajority board vote, would tax only the local district, would be limited to districts with moderate surpluses, would require no state funding, could be overridden by local taxpayers via referendum and does not adversely impact equity in funding since it retains the current \$1 million borrowing authority and referendum ability.

I am preparing an informational package concerning Greendale's past and current operations and budgets which will highlight our need for this bill. I expect this package to be sent out by the end of this week.

If you have any questions please contact me. 414-421-4495

James Germain
Greendale School Board President

Senate Committee on Education *Sub*

Date: _____ Executive Session Public Hearing

Bill Number: _____

Moved by: *Jauch* Seconded by: *Potter*

Motion: *Introduction Adoption*

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Present</u>	<u>Absent</u>
Sen. Calvin Potter, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Robert Jauch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Kevin Shibilski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Richard Grobschmidt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Alberta Darling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Joanne Huelsman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Carol Roessler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: _____

Vote Record

268

Senate Committee on Education

Date: _____

Executive Session

Public Hearing

Bill Number: _____

Moved by: Jauch

Seconded by: Potter

Motion: Bill

Passage as Amended

Committee Member

Aye

No

Absent

Present

Absent

Sen. Calvin Potter, Chair

Sen. Robert Jauch

Sen. Kevin Shibilski

Sen. Richard Grobschmidt

Sen. Alberta Darling

Sen. Joanne Huelsman

Sen. Carol Roessler

Totals: _____

Motion Carried

Motion Failed

Committee Meeting Attendance Sheet

Senate Committee on Education

Date: 11/01/97 Meeting Type: Hearing/Excc
Location: 119 ML King

Committee Member

Sen. Calvin Potter, Chair

Sen. Robert Jauch

Sen. Kevin Shibilski

Sen. Richard Grobschmidt

Sen. Alberta Darling

Sen. Joanne Huelsman

Sen. Carol Roessler

Present

Absent

Excused

Totals:

7



Paul Rusk, Committee Clerk



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536
Telephone (608) 266-1304
Fax (608) 266-3830

DATE: September 2, 1997

TO: REPRESENTATIVE MICHAEL LEHMAN, CHAIRPERSON, ASSEMBLY
COMMITTEE ON WAYS AND MEANS

FROM: Robert J. Conlin, Staff Attorney

SUBJECT: Assembly Substitute Amendment __ (LRBs0218/3) to 1997 Assembly Bill
164, Relating to School District Bonds, Promissory Notes and School District
Revenue Limits

This memorandum provides a summary of Assembly Substitute Amendment __ (LRBs0218/3) to 1997 Assembly Bill 164. The Bill was introduced by Representative Otte and others; and cosponsored by Senator Potter. The Bill was referred to the Assembly Committee on Ways and Means, which held a public hearing on the Bill on August 6, 1997. The Bill has been scheduled for consideration in executive session on Wednesday, September 3, 1997.

Assembly Substitute Amendment __ (LRBs0218/3) (hereinafter, "the substitute amendment") makes a number of changes to the Bill and current law. Those changes will be described below.

A. CURRENT LAW

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

1. Direct the school district clerk to call a special election to submit the resolution to the electors at a binding referendum; or
2. Specify in the 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 will go into effect unless a sufficient number of electors file 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:

1. A majority of the electors present and voting at the hearing determine that a referendum will be held. If this occurs, the school board must direct the school district clerk to hold the referendum; or

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

If a school board adopts a 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 enrollment 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.

The cost of the debt service a school district incurs as a result of the issuance of a bond or promissory note under the above provisions are aidable under the general aid formula as shared costs. In addition, property taxes used to pay the debt service on such borrowing is subject to the state's 2/3 funding commitment for partial school revenues.

Finally, under current law, state school aids are distributed to school districts four times per year. School districts receive 15% of their total aid payments in September, 25% in December, 25% in March and 35% in June.

B. 1997 ASSEMBLY BILL 164

The Bill makes a number of changes to the above-described borrowing procedures. The Bill does the following:

1. Provides that the above borrowing provisions apply only if the bond or promissory note will 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 enrollment by \$350, whichever is greater.

2. Increases a school district's revenue limit by the amount needed to pay debt service on a bond or promissory note authorized by a school board resolution if the issuance of the bond or note was not subject to a referendum as a result of the new provisions described above.

3. Excludes from a school district's shared costs (costs that are aidable through the general aid formula) debt service on debt that was not subject to a referendum as a result of the new provision described above.

Under the Bill, however, property taxes levied to pay the debt service on debt that was not subject to a referendum under the procedure provided in the Bill is subject to the state's 2/3 funding commitment for partial school revenues.

C. ASSEMBLY SUBSTITUTE AMENDMENT — (LRBs0218/3)

The substitute amendment retains the current law provision described in Section A. above, relating to the issuance of bonds or promissory notes without the necessity of a referendum. However, the substitute amendment creates an alternative method for school districts to issue bonds or promissory notes without conducting a referendum election. Under the substitute amendment, a school district may issue bonds or promissory notes without conducting a referendum election if the aggregate amount of outstanding indebtedness of the school district incurred without a referendum pursuant to the new procedure created by the substitute amendment since the date the new procedure takes effect does not exceed *the greater of*: (1) \$100,000; or (2) an amount equal to 1% of the school district's operating budget, not exceeding \$10,000,000.

To be eligible to incur debt under this new provision, the balance in the school district's general fund on the previous June 30 must be no greater than 15% of the school district's operating budget. In addition, the school board must adopt a resolution to issue a bond or promissory note by *unanimous vote* of the entire membership of the school board. Moneys raised through this new alternative procedure may be used only for a capital expenditure. Under the substitute amendment, the Milwaukee Public Schools (MPS) would also be able to issue bonds under a similar procedure with the exception that the common council of the City of Milwaukee must approve the bond issue by a majority vote after the school board of MPS approves issuing the bonds by a unanimous vote of the entire membership of the board.

The substitute amendment excludes the debt service on debt issued under the new procedure from the shared costs formula. In addition, the substitute amendment excludes the property taxes levied to pay the debt service on such debt from the calculation of the state's 2/3 funding commitment. The substitute amendment also increases the school district's revenue limit by the amount needed for the payment of any general obligation debt service incurred under the new procedure.

Finally, the substitute amendment changes the school aid distribution formula from a four-time per year distribution system to a six-time per year distribution system. Under the substitute amendment, each school district will receive 1/6 of its total aid payments on the first Monday in July, September, November, January, March and May. This new aid payment structure would first apply to the payment of state aid in the school year beginning after publication of the Bill as an act.