LRBb0371

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **05/21/99**   Received By: **grantpr**

Wanted: **As time permits**   Identical to LRB:

For: **Legislative Fiscal Bureau**   By/Representing: **Hardy**

This file may be shown to any legislator: **NO**   Drafter: **grantpr**

May Contact: Alt. Drafters:

Subject: **Education - school finance**   Extra Copies: **MJL**

Pre Topic:

LFB:......Hardy -

Topic:

Revenue limits; restore inflation increase

Instructions:

See Attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
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/1			martykr 05/25/99	_____ _____	lrb_docadmin 05/25/99		
/2	grantpr 06/7/99	gilfokm 06/7/99	ismith 06/8/99	_____ _____	lrb_docadmin 06/8/99		

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Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 20, 1999   Joint Committee on Finance   Paper #770

Per Pupil Annual Revenue Increase
(Public Instruction -- Revenue Limits)

[LFB 1999-01 Budget Summary: Page 486, #2]

CURRENT LAW

School district revenue limits restrict the amount of revenues that school districts can obtain through the combination of general school aids and the property tax levy. On October 15 of each year, the Department of Public Instruction (DPI) provides school districts with an estimate of their general school aids for the current year. The difference between a school district's revenue limit and the October 15 general school aids estimate determines the maximum amount of revenue that the district is allowed to raise through the property tax levy. Actual general school aids and property tax revenues received in the prior school year are used to establish the base year amount in order to compute the allowable revenue increase for the current school year.

A three-year rolling average of a school district's pupil enrollment is used to determine the allowable revenue increase under the limit. Specifically, the number of pupils is based on the average of a school district's membership count taken on the third Friday in September for the current and two preceding school years. For example, the average of the 1995, 1996 and 1997 September memberships was used to calculate the 1997-98 base year revenues per pupil. Then, the average of the 1996, 1997 and 1998 September memberships is used to determine the allowable revenue increase in 1998-99.

A per pupil revenue increase is added to the base revenue per pupil to determine an allowable per pupil revenue increase. In 1998-99, the per pupil increase is $208.88. The per pupil adjustment amount is indexed for inflation, by multiplying the prior year dollar amount by the percentage change in the consumer price index between the preceding March and the second preceding March.

GOVERNOR

Delete the inflation adjustment to the per pupil revenue increase amount, beginning in the 1999-00 school year. Provide that the annual per pupil adjustment would remain at the 1998-99 level, which is $208.88. Provide that the $208.88 adjustment would also apply to school districts that reorganize. Staff at DOA estimates that this would reduce the cost of funding two-thirds of partial school revenues by approximately $1,800,000 GPR in 1999-00 and $5,500,000 GPR in 2000-01 compared to estimates of current law.

DISCUSSION POINTS

1.   The annual per pupil allowable revenue increase under revenue limits has undergone several modifications since the onset of revenue limits in 1993-94. Prior to 1995-96, the allowable per pupil revenue increase could not exceed a flat dollar amount or the rate of inflation, whichever resulted in the higher revenue amount for the district. In 1993-94, the limit was based on $190 per pupil or an inflation rate of 3.2%. Beginning in 1994-95, the $190 per pupil amount was adjusted by the rate of inflation, so that the limit was based on $194.37 per pupil or an inflation rate of 2.3%. The increase was set at $200 in 1995-96 and $206 in 1996-97 and the flat dollar amount was no longer adjusted for inflation and a school district no longer had the option to use the inflation rate to determine its maximum allowable increase. Under 1997 Act 27, the per pupil increase was fixed at $206 in 1997-98 and adjusted for inflation to reach $208.88 in 1998-99. The following table provides a history of the per pupil revenue limit adjustment amount and shows the proposed amounts under AB 133.

Allowable Revenue Increase

	Per Pupil	Inflation Rate
1993-94	$190.00	3.2%
1994-95	194.37	2.3
1995-96	200.00	N.A.
1996-97	206.00	N.A.
1997-98	206.00	N.A.
1998-99	208.88	N.A.
AB 133		
1999-00	208.88	N.A.
2000-01	208.88	N.A.

2.   The flat dollar amount increase, rather than an inflationary per pupil increase, has been maintained because limiting all school districts to the same per pupil increase in allowable revenues will, over time, reduce the disparity in revenue per pupil among districts in the state on a

Public Instruction -- Revenue Limits (Paper #770)

percentage basis. A $208.88 increase represents a greater increase as a percent of the base for a district with lower allowable revenues per pupil than for a district with higher revenues per pupil. Under 1997 Act 27, the Legislature established an inflationary increase to the flat dollar amount as a method for enhancing this reduction in the disparity in revenue per pupil among school districts.

3.　　The Department of Revenue indicates that the actual March 1998 to March 1999 inflation increase was 1.7% and is estimating a 2% inflation rate from March 1999 to March 2000. Based on these figures, under current law, the annual per pupil revenue limit increase would rise from $208.88 in 1998-99 to $212.43 in 1999-00 and $216.68 in 2000-01.

4.　　Based on the most recent enrollment and base revenue projections under the bill, in 1999-00, it is estimated that the $212.43 per pupil increase would provide a statewide per pupil revenue increase of approximately 3.09%, ranging from a per pupil increase of 1.71% for the highest revenue district to a 3.60% per pupil increase for the lowest revenue district, when districts eligible for a low revenue adjustment are excluded. The $208.88 per pupil increase recommended by the Governor would provide an estimated statewide per pupil revenue increase of 3.03%, ranging from an increase of 1.68% for the highest revenue district to a 3.54% increase for the lowest revenue district, excluding low revenue adjustment districts.

In 2000-01, it is estimated that the $216.68 per pupil increase would provide a statewide revenue per pupil increase of approximately 3.04%, ranging from an increase of 1.72% for the highest revenue district to a 3.55% increase for the lowest revenue district. The $208.88 per pupil increase recommended by the Governor would provide an estimated statewide per pupil revenue increase of 2.93%, ranging from an increase of 1.65% for the highest revenue district to a 3.42% increase for the lowest revenue district.

5.　　It may be desirable to maintain the current law inflationary increase in order to accelerate a decline in the per pupil revenue disparity among school districts. Additionally, it could be argued that certain school district expenditure categories, such as special education, staff contracts and school building maintenance, require an increasing rather than a fixed per pupil revenue increase. For example, it has been argued that the qualified economic offer (QEO) provision could permit a 3.8% increase to new teacher compensation packages, while the $208.88 per pupil revenue limit adjustment would allow for only a 3.03% and 2.93% annual statewide revenue increase per pupil. Further, a stagnant per pupil revenue increase would provide a declining rate of revenue increases over time. Finally, a higher per pupil revenue limit increase may help moderate the effects of revenue limit decreases attributable to declining enrollment.

6.　　On the other hand, it may be desirable to maintain the current per pupil annual increase under revenue limits, as $208.88 already provides a per pupil revenue increase of more than the estimated inflation rates for the upcoming biennium. The change in the CPI-U for 1999-00 and 2000-01 is estimated to be 2.2% and 2.5% respectively. As noted above, the $208.88 annual increase provides an estimated statewide increase of 3.03% in 1999-00 and 2.93% in 2000-01. If a school district needs revenues outside of its revenue limit, it can propose a referendum to voters that would allow the district to exceed the revenue limit for recurring or non-recurring purposes.

7.   Based on more current inflation estimates and school district enrollment data, in order to maintain two-thirds funding of partial school revenues, the Governor's recommendation to maintain the per pupil annual revenue limit increase at $208.88 would be re-estimated by -$200,000 GPR in 1999-00 and $1,000,000 GPR in 2000-01, for a net fiscal effect of -$2,000,000 GPR in 1999-00 and -$4,500,000 GPR in 2000-01. This reestimate is reflected in the projected costs of meeting the goal of two-thirds funding of partial school revenues. Finally, in order to maintain two-thirds funding of partial school revenues, if the Committee would maintain current law, $2,000,000 GPR and $4,500,000 GPR would need to be added to general school aids in 1999-00 and 2000-01 respectively, to restore the funding deleted in the budget bill.

ALTERNATIVES

1.   Approve the Governor's recommendation to delete the inflationary increase to the annual per pupil revenue limit increase and maintain it at $208.88.

2.   Maintain current law. Provide $2,000,000 GPR in 1999-00 and $4,500,000 GPR in 2000-01 in general school aids in order to maintain two-thirds funding of partial school revenues by restoring the funding deleted in the bill.

Alternative 2	GPR
1999-01 FUNDING (Change to Bill)	$6,500,000

Prepared by: Ruth Hardy

LFB BUDGET AMENDMENT
[ONLY FOR LFB]

See form **AMENDMENTS — COMPONENTS & ITEMS.**

LFB AMENDMENT
TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

>>FOR JT. FIN. SUB. — NOT FOR INTRODUCTION<<

At the locations indicated, amend the bill as follows:

✓ #. Page 902, line 15: delete lines 15 to 22.

✓ #. Page 1015, line 12: delete lines 12 to 14.

✓ #. Page 1016, line 1: delete lines 1 to 25.

✓ #. Page 1017, line 1: delete lines 1 to 11.

✓ #. Page 1018, line 16: after "(f)" insert "1.".

✓ #. Page 1018, line 19: delete "(d) 4. (e) 3." and substitute "(d) 4.".

✓ #. Page 1018, line 21: delete "(d) (e) 1." and substitute "(d) 1.".

✓ #. Page 1018, line 21: delete "(d) (e)" and

substitute " (d) ".

✓ #. Page 1019, line 1: delete lines
1 to 3.

(Ethel)

LFB:......Hardy – Revenue limits; restore inflation increase

FOR 1999–01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1   At the locations indicated, amend the bill as follows:

2   **1.** Page 902, line 15: delete lines 15 to 22.

3   **2.** Page 1015, line 12: delete lines 12 to 14.

4   **3.** Page 1016, line 1: delete lines 1 to 25.

5   **4.** Page 1017, line 1: delete lines 1 to 11.

6   **5.** Page 1018, line 16: after "(f)" insert "1.".

7   **6.** Page 1018, line 19: delete "(d) 4. (e) 3." and substitute "(d) 4.".

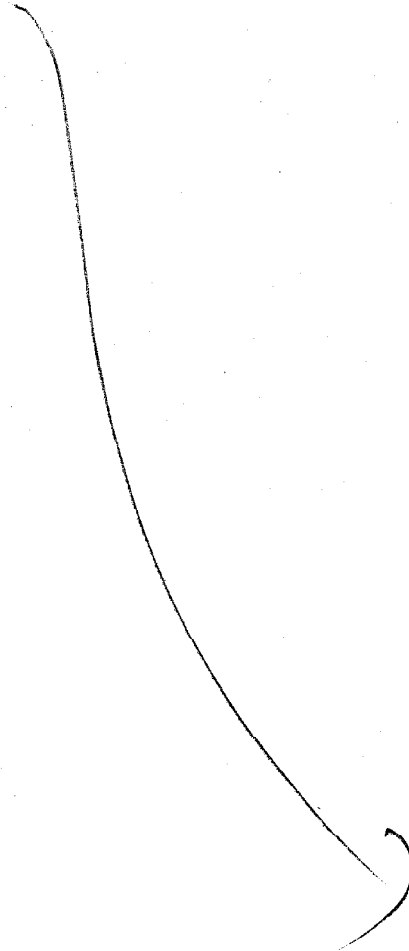8   **7.** Page 1018, line 21: delete "(d) (e) 1." and substitute "(d) 1."

9   **8.** Page 1018, line 21: delete "(d) (e)" and substitute "(d)".

1   **9.** Page 1019, line 1: delete lines 1 to 3.

2   (END)

✓ # Page 1416, line 11: delete

" $208.88 " and substitute " an amount

equal to the amount of revenue increase

per pupil allowed under this subsection

for the previous school year multiplied

by the sum of 1.0 plus the

allowable rate of increase under s. 73.0305

expressed as a decimal".

~~#. Page 1016, line 6: delete "one b. and~~

~~#. Page 1016, line 7: delete that line.~~

✓ #. Page 1017, line 9: delete that
line and substitute:

(text: treat)

"2. Multiply the amount of the
revenue increase ~~per~~ per pupil allowed
under this subsection for the previous
school year by the sum of 1.0 plus
the allowable rate of increase under
s. 73.0305 expressed as a decimal.

3. Add the result under subd. 1. to
the result under subd. 2.".

✓ #. Page 1017, line 10: substitute "4."
for "3.".

#. Page 1017, line 10: delete "2." and substitute
"3.

✓ #. Page 1018, line 17: delete "1998-99"

and substitute " ~~1998-99~~ 1999-2000 " .

✓ # Page 1018, line 19: delete lines 19

to 21 and substitute " years, ~~as calculated~~

~~under sub. (2m) (d) 4.~~, is less than the

average of the number of pupils enrolled

in the 3 previous school years ⟨plain comma⟩ ~~as calculated~~

~~under sub. (2m) (d) to,~~ ⟨strike comma⟩ the limit otherwise ⟨explain comma⟩

applicable under sub. (2m) ~~(d)~~ (e) is

increase by " .

End

WPO:
from
121.91 (4) (f)

LFB:......Hardy – Revenue limits; restore inflation increase

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1   At the locations indicated, amend the bill as follows:

2   **1.** Page 902, line 15: delete lines 15 to 22.

3   **2.** Page 1015, line 12: delete lines 12 to 14.

4   **3.** Page 1016, line 11: delete "$208.88" and substitute "an amount equal to the

5   amount of revenue increase per pupil allowed under this subsection for the previous

6   school year multiplied by the sum of 1.0 plus the allowable rate of increase under s.

7   73.0305 expressed as a decimal".

8   **4.** Page 1017, line 9: delete that line and substitute:

9   "2. Multiply the amount of the revenue increase per pupil allowed under this

10   subsection for the previous school year by the sum of 1.0 plus the allowable rate of

11   increase under s. 73.0305 expressed as a decimal.

1   3. Add the result under subd. 1. to the result under subd. 2.".

2   **5.** Page 1017, line 10: substitute "4." for "3.".

3   **6.** Page 1017, line 10: delete "2." and substitute "3.".

4   **7.** Page 1018, line 17: delete "1998–99" and substitute "~~1998–99~~ 1999–2000".

5   **8.** Page 1018, line 19: delete lines 19 to 21 and substitute "years, ~~as calculated~~

6 ~~under sub. (2m) (d) 4.~~, is less than the average of the number of pupils enrolled in the

7 3 previous school years, ~~as calculated under sub. (2m) (d) 1.~~, the limit otherwise

8 applicable under sub. (2m) ~~(d)~~ (e) is increased by".

9   **(END)**