

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-AB133)**

Received: **05/24/99**

Received By: **mlief**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Hardy**

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

Drafter: **mlief**

May Contact:

Alt. Drafters:

Subject: **Education - school finance**

Extra Copies: **PG**

**Pre Topic:**

LFB:.....Hardy -

**Topic:**

Low revenue adjustment: school district revenue ceiling

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	mlief 05/24/99	gilfokm 05/24/99	mclark 05/24/99	_____	lrb_docadmin 05/25/99		

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<END>

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/1	mlief	1-5-24-99 kmg	5/24 MRC	MRC/km 5/24			

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<END>



## 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 #772

### School District Revenue Limits -- Low Revenue Adjustment (DPI -- Revenue Limits)

#### CURRENT LAW

In the 1995-97 biennium, any school district with a "base revenue" per pupil for the prior school year that was less than a revenue ceiling of \$5,300 in 1995-96 and \$5,600 in 1996-97 was allowed to increase its revenues up to the ceiling. In 1997 Act 27 (the 1997-99 budget), this "revenue ceiling" was increased to \$5,900 in 1997-98 and \$6,100 in 1998-99 and each year thereafter.

Under this provision, base revenue per pupil is determined by: (a) calculating the sum of the district's prior year general school aid and the property tax levy (excluding debt service levies exempted from the limit); (b) dividing the sum under (a) by the average of the district's September membership for the three prior school years; and (c) adding \$206 to the result under (b) for 1997-98, and adding \$206, multiplied by the allowable rate of increase based on a March to March annual CPI-U, to the result under (b) for 1998-99 and thereafter, which is \$208.88 in 1998-99. If a school district has resident pupils who were solely enrolled in a county children with disabilities education board (CCDEB) program, costs and pupils related to that program would be factored into the district's revenues per pupil calculation.

#### GOVERNOR

Maintain the current law \$6,100 revenue ceiling.

#### DISCUSSION POINTS

1. The low-revenue adjustment for school districts with per pupil revenues below the revenue ceiling is intended to decrease the disparity between low-revenue and high-revenue school districts in the state. In 1998-99, maximum revenues per pupil, based on September, 1998, enrollments, ranged from approximately \$5,650 (North Cape) to approximately \$12,200 (Nicolet Union High School), including all exemptions and adjustments. In 1998-99, 16 school districts

were eligible to receive a low-revenue adjustment in order to bring them up to the \$6,100 revenue ceiling. Under the bill, it is estimated that two districts would fall below the revenue ceiling of \$6,100 in 1999-00 and no districts would fall below the ceiling in 2000-01. The Norris School District is excluded from consideration in this paper because it receives the majority of its funding from the federal government, and is both a residential facility and a school district.

2. All school districts benefit from the \$208.88 per pupil adjustment in 1998-99. The \$208.88 annual increase under the bill would generate allowable per pupil growth in the range of 3.4% to 3.7% above base revenues for the lowest-revenue districts in 1999-00. For the highest-revenue districts, the \$208.88 increase would generate increases of approximately 1.7% to 2.3% above base revenues.

3. In past years, annual increases of \$200 or \$300, which are approximately equivalent to the annual per pupil adjustment were provided to the revenue ceiling in order to assist low-revenue districts. The Governor's budget would not recommend an increase to the ceiling because so few districts would be affected by such an increase and because many eligible districts do not utilize the low-revenue adjustment authority, which may imply that these districts are not in need of additional revenues. In addition, inflation has been quite moderate over the biennium, with the CPI increasing by 2.3% in 1997-98 and 1.6% in 1998-99; therefore, an increase to the revenue ceiling may not be necessary.

4. On the other hand, while some eligible school districts may not utilize the low-revenue adjustment authority, a school district that in the past has not used the authority may find a need for it in the future. School districts with declining enrollments or increased costs may be in a situation where a low-revenue adjustment would be particularly advantageous for the financial stability of the district.

5. Those opposed to increasing the low-revenue adjustment would argue that while it may allow school districts with the lowest per pupil revenues to expand educational opportunities, the anticipated amount of property tax relief in these districts could be dissipated. Furthermore, they contend that even without the low-revenue adjustment, current law already allows school districts to exceed the limit through referendum and that using this option would ensure local electorate support of the district's decision to spend or tax at higher levels.

6. The Committee may wish to increase the revenue ceiling by \$200 annually in 1999-01, which would be approximately equivalent to the \$208.88 per pupil annual adjustment to revenue limits under the bill. It is estimated that five school districts would be eligible for an adjustment up to a \$6,300 ceiling in 1999-00 and in 2000-01, ten school districts would be eligible for an adjustment up to a \$6,500 ceiling. This adjustment would provide these districts with an additional 0.2% to 8.3% per pupil revenues in 1999-00 and an additional 0.1% to 14.8% per pupil revenues in 2000-01. Using the assumption that only 50% of the low-revenue authority would be utilized by the school districts eligible for an adjustment under this alternative, it is estimated that equalization aid would have to be increased by \$300,000 GPR in 1999-00 and \$1,200,000 GPR in 2000-01 in order to maintain two-thirds funding of partial school revenues.

7. In order to ensure that low revenue school districts continue to receive revenues comparable to other school districts, it may be desirable to require that in future years, the low revenue ceiling would be adjusted proportionately to the secondary cost ceiling, which is adjusted annually for inflation.

**ALTERNATIVES**

① Modify the bill by increasing the low revenue ceiling to \$6,300 in 1999-00 and \$6,500 in 2000-01. Provide \$300,000 in 1999-00 and \$1,200,000 in 2000-01 for equalization aid in order to attain an estimate of two-thirds funding of partial school revenues.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 FUNDING (Change to Bill)	\$1,500,000

2. In addition to Alternative 1, beginning in 2001-02, adjust the revenue ceiling proportionately to the secondary cost ceiling.

3. Maintain current law, which would continue to allow for low-revenue adjustments for districts with per pupil revenues below the \$6,100 revenue ceiling.

Prepared by: Ruth Hardy

*MSC.....  
my*

LFB:.....Hardy – Low revenue adjustment: school district revenue ceiling  
FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION  
LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

*SOON TO ed. 5/24*  
*D-W*

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

2 ✓ 1. Page 1015, line 2: after that line insert:

3 (3) "SECTION 2148M. 121.905 (1) of the statutes is amended to read:

4 121.905 (1) In this section, "revenue ceiling" means ~~\$5,900~~ <sup>\$</sup>6,300 in the

5 ~~1997-98~~ 1999-2000 school year and in any subsequent school year means ~~\$6,100~~

6 (6) ~~6,500~~ \$6,500

History: 1995 a. 27; 1997 a. 27, 113, 164, 286; s. 13.93 (2) (c).

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb0385/1dn

.....  
mg

Ruth:

Although Alternative 1 in Paper #772 provides that the revenue ceiling is increased to ~~\$6500~~ for the 2000-01 school year, I assumed when drafting the amendment that this increase should apply in subsequent school years. If this is not correct, please let me know.

\$6,500

Madelon J. Lief  
Legislative Attorney  
Phone: (608) 267-7380

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRBb0385/1dn  
MJL:kmg:mrc

May 24, 1999

Ruth:

Although Alternative 1 in Paper #772 provides that the revenue ceiling is increased to \$6,500 for the 2000-01 school year, I assumed when drafting the amendment that this increase should apply in subsequent school years. If this is not correct, please let me know.

Madelon J. Lief  
Legislative Attorney  
Phone: (608) 267-7380





State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0385/1  
MJL:kmg:mrc

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6 \$6,500.”.

7 (END)