



## Fiscal Estimate Narratives

DPI 2/14/2008

LRB Number	07-3667/1	Introduction Number	AB-0653	Estimate Type	Original
<b>Description</b> Increasing the low-revenue ceiling for school district revenue limit purposes; authorizing a school district to exceed its revenue limit under certain conditions; modifying the school district revenue limit adjustment for declining enrollment; distributing transportation aid balances to school districts; and providing for a study					

### Assumptions Used in Arriving at Fiscal Estimate

The bill, introduced by the Joint Legislative Council, includes provisions relating to school transportation, declining enrollment districts, low-spending districts, and a revenue limit flexibility option. The bill reflects the statutory changes made in 2007 Wisconsin Act 20, the biennial budget act.

#### Transportation

The bill requires each school board, by February 1, 2009, to report to the Department of Public Instruction (DPI) the miles driven in the 2007-08 fiscal year to provide transportation to and from school for public and private pupils. Excluded from this calculation are transportation to and from extracurricular activities, the transportation of children with disabilities, shuttle services, and field trips. The bill directs DPI to submit a report summarizing the data to the Legislature by May 1, 2009. In addition, current law authorizes DPI to reduce payments under the school transportation appropriation that funds a portion of local transportation costs when that appropriation is insufficient to cover eligible costs filed by school districts. The bill directs DPI to fully expend the appropriation set aside for such transportation, by increasing payments to districts on a prorated basis.

#### Declining Enrollment

The bill extends the declining enrollment adjustment period for school district revenue limits to three years. Under 2007 Act 20, in the first year of an enrollment decline, a school district would receive 100% of the allowable revenues that the decline would have generated. The bill continues the 100% in the first year of the decline, but in the year after the decline, the district would receive an adjustment equal to 75% of the first-year adjustment. In the third year after the decline year, the district would receive an adjustment equal to 50% of the first year adjustment.

#### Low Spending Districts

The bill increases the low revenue ceiling for revenue limits by \$400 per pupil in each of the next two years. Thus, the 2008-09 low revenue ceiling would be increased to \$9,100 from the current \$8,700 per pupil. Subsequently, the ceiling in the 2009-10 school year would be increased to \$9,500.

#### Revenue Limit Flexibility Option

The bill provides school districts with revenue limit flexibility based on a percentage of statewide average allowable revenue per pupil. Current revenue limits restrict the annual increase in a school district's per pupil revenue derived from general school aids, computer aid, and property taxes. The bill allows a school board, by a 2/3 vote of its members, to increase its revenue limit, on a nonrecurring basis, by an amount equal to 1% of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current three-year rolling average pupil count. Under the bill, the 1% would not be included in shared cost and would not be included in the determination of partial school revenues for purposes of calculating state aid. The additional costs would be funded from local property taxes and would not be supported by state aid. Districts would be required to levy the maximum amount allowed under current revenue caps and would not be allowed to put the additional 1% into a fund balance account or maintain the excess revenue in the balance of any fund beyond June 30 of the school year in which the resolution was adopted. As a nonrecurring cost, the additional spending would not be part of the school district base budget; therefore, for a school board to exceed its revenue cap in any subsequent years, it would need to authorize the additional 1% each year by a 2/3 vote of the members.

## State Fiscal Effect

Transportation - The department will incur unknown costs to modify data systems to collect the required miles driven information from districts and to then compile it into a report to the Legislature. The requirement to fully expend the pupil transportation appropriation will have no fiscal effect on state aid appropriations. However, this provision could reduce any cash lapse to the general fund that would otherwise have occurred due to underspending. In 2007-08, DPI estimates that approximately \$2 million GPR will lapse to the general fund from the pupil transportation aid appropriation.

Declining Enrollment - No state fiscal effect, as this provision affects only school district revenue limits, not state school aid calculations.

Low Spending Districts - No state fiscal effect, as this provision affects only school district revenue limits, not state school aid calculations.

Revenue Limit Flexibility Options - No state fiscal effect, as this provision affects only school district revenue limits, not state school aid calculations. In addition, for future years, the 1% would not be included in shared cost and would not be included in the determination of partial school revenues for purposes of calculating general school aid. The additional costs would be funded from local property taxes and would not be supported by state aid.

## Local Fiscal Effect

Transportation - Districts may incur an indeterminate amount of expenses to comply with the additional mileage reporting requirements of the bill. Districts could receive an indeterminate amount of increased state transportation aid under the bill if, in a given year, transportation aid payments to districts are increased to fully expend the appropriation when it would otherwise have lapsed unspent amounts to the general fund.

Declining Enrollment - Compared to current law, had this provision been in effect in 2007-08, it is estimated that 253 districts eligible for the current law declining enrollment adjustment would generate an additional \$50 million in revenue limit authority in 2008-09, an additional \$33.5 million in 2009-10. Individual district school boards would choose whether to fully levy this additional amount of local school property taxes; the number of districts and the amount of additional levy used is indeterminate.

Low Spending Districts - The bill increases the 2008-09 low revenue ceiling by \$100 per pupil over the 2007 Act 20 amount of \$9,000. It is estimated that this would generate between \$15-18 million of additional revenue limit authority in 2008-09; the exact amount of levy used by districts is indeterminate.

Revenue Limit Flexibility Option - If this provision had been in effect in 2007-08 and every school district chose to take advantage of the additional 1%, statewide revenue limit authority would have increased by an estimated \$80 million. Again, the number of districts that would actually utilize the expanded authority is indeterminate.

## Long-Range Fiscal Implications

Unlike the revenue limit flexibility option, additional district costs incurred under the declining enrollment and low revenue ceiling provisions would be included in shared cost and thus would impact future general school aid calculations. While this will not directly affect the level of general school aid appropriations, it could affect the statewide distribution of school aid.