

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-3941/1	Introduction Number AB-0473
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Description
 the revenue limit ceiling for school districts

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input checked="" type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 10/15/2019

LRB Number	19-3941/1	Introduction Number	AB-0473	Estimate Type	Original
Description the revenue limit ceiling for school districts					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the formula for determining a school district's revenue limit does not apply to a school district with per pupil revenue that is less than the revenue ceiling specified in statute. Instead, the school district is allowed to increase its revenue raising authority to the per pupil low-revenue revenue ceiling amount. The per pupil low-revenue ceiling is \$9,700 for the 2019-20 school year and \$10,000 for the 2020-21 school year (and in each school year thereafter unless changed by the legislature).

However, under current law, the general per pupil revenue ceiling amount does not apply to a school district in which, in any of the three preceding school years, a referendum question to exceed the district's revenue limit for operating costs was rejected. For such a school district, the per pupil revenue ceiling amount is the per pupil revenue ceiling amount that applied in the school year in which the operating referendum was rejected (revenue ceiling freeze). The revenue ceiling freeze was created under 2017 Act 141 (enacted on March 12, 2018; practically speaking, the Act first impacted school districts' revenue limits for the 2018-19 school year).

This bill creates an exception to the revenue ceiling freeze: under the bill, the revenue ceiling freeze does not apply to an operating referendum that was rejected at an election held in the 2018-19 school year if the operating referendum was for the recurring costs of operating and maintaining a new school building and at the same election, the voters rejected a referendum to incur debt for the purpose of constructing the new school building. A similar exception had been created under Act 141 for school districts meeting these conditions for a referendum held during the 2017-18 school year, but that exception did not extend to years beyond 2017-18.

During the 2018-19 school year, only the Freedom Area School District (FASD) met the criteria under the bill (referendum held on April 2, 2019). As a result, the applicable low-revenue ceiling amount for the FASD will be \$9,400 for the 2019-20 school year. All school districts will receive a per-member adjustment of \$175. The FASD will have revenue raising authority for \$9,575 per member for the 2019-20 school year, prior to any other adjustments (e.g., declining enrollment exemption).

If this bill passes and is effective by the time the FASD school board sets the property tax level for the 2019-20 school year, the district's revenue raising authority would be raised to the current low-revenue ceiling amount of \$9,700, thereby generating an additional \$125 per revenue limit member. The total amount generated would depend on the FASD's current year three-year rolling average revenue limit membership. That figure is not yet available, but even if the district's enrollment were the same as it was in the 2018-19 school year, the three-year rolling average for 2019-20 would be 1,629 FTE – thus, total additional revenue authority resulting from the provisions in the bill could be \$203,625. Because school districts must, by law, set their property tax levies by November 1 and certify the levy to the applicable municipality by November 10, the bill would have to be signed by late October at the latest, in order for the bill to have an impact on the FASD.

Local Impact: potential for additional property tax revenue.

One school district would be impacted by the bill; the impact would be to allow that district to increase its revenue raising authority by \$125 per revenue limit member in 2019-20. That additional revenue authority would become part of the school district's ongoing base revenues. However, it is ultimately the school board's decision whether or not to levy up to the allowable maximum revenue limit amount.

State Impact: no impact.

The bill does not change state appropriations or otherwise impact the state's general fund.

Long-Range Fiscal Implications

If the bill becomes law and the school district utilizes the additional revenue raising authority as permitted under the bill, that additional revenue authority will become part of the district's ongoing base revenues.