

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-3997/1	Introduction Number SB-0395
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Description
 restrictions on the revenue ceiling for school districts

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate
 Increase Existing Appropriations Increase Existing Revenues
 Decrease Existing Appropriations Decrease Existing Revenues
 Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget
 Yes No
 Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input 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	

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 DPI/ Erin Fath (608) 266-2804	Authorized Signature Erin Fath (608) 266-2804	Date 9/5/2023
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Fiscal Estimate Narratives

DPI 9/5/2023

LRB Number	23-3997/1	Introduction Number	SB-0395	Estimate Type	Original
Description restrictions on the revenue ceiling for school districts					

Assumptions Used in Arriving at Fiscal Estimate

This bill eliminates current law language that imposes a 3-year freeze on the applicable low revenue ceiling threshold under school district revenue limits for a school district that holds a referendum for general school operations but fails to pass the referendum. The general impact of the bill would be to remove the penalty that prevents a school district from benefiting from the LRC adjustment mechanism that is built into the revenue limit formula (i.e., allows a school district to raise additional revenue for general school district operations). However, the specific impact on local school districts is indeterminate, because the department cannot predict which school districts will fail to pass operating referenda in future years. See the attachment to this fiscal estimate for more information about how the low revenue ceiling adjustment functions within the larger school district revenue limit formula.

Long-Range Fiscal Implications

Attachment to Fiscal Estimate for SB-0395 (LRB draft 23-3997/1)

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Under current law, school district revenue limits control the combined amount of state general aid and local property tax levy a school district is allowed to raise for general school operations. Each school districts' revenue authority is determined first on a per pupil basis: base (prior year) revenue is divided base revenue limit membership (pupils) to determine the base revenue per pupil; then, the allowable per pupil adjustment is applied for all school districts. For FY24 and FY25, the per pupil adjustment is \$325.

Also under current law, if a school district's revenue authority (after application of the per pupil adjustment amount but prior to the application of any other revenue limit exemptions / adjustments) is below the specified Low Revenue Ceiling (LRC) threshold, the district's revenue authority per member is automatically raised to the LRC threshold level. For FY24 and FY25, the LRC threshold is \$11,000 per pupil. This is an increase of \$1,000 compared to the LRC threshold for FY21, FY22, and FY23 (\$10,000 per pupil).

As an example, for FY24 and FY25: a school district has a base revenue per pupil of \$10,200 going into the 2023-24 school year (FY24). The per pupil adjustment raises that district up to \$10,525 per pupil; however, because that is still less than the \$11,000 LRC threshold, that district would receive the LRC adjustment to raise its revenue authority to \$11,000 per pupil. In the following year (FY25), assuming no other base-building adjustments to that district's revenue authority, the base revenue would be \$11,000 per pupil, and the per pupil adjustment would raise the district to \$11,325 per pupil. Since the school district's revenue per pupil is already above the applicable LRC threshold of \$11,000, there would be no LRC adjustment applied (the LRC does not lower a school district's revenue authority per pupil).

Under current law, if a school district holds a referendum to increase its revenue authority for general school operations but the electors do not approve the referendum, the school district is subject to the LRC threshold that was in place in the school year in which the referendum failed, for three years following the failed referendum - regardless of the LRC threshold in place for that school year (referred to as the 3-year LRC freeze).

From the example above, if the school district were subject to the 3-year LRC freeze due to failed referendum (e.g., in 2021-22), it would receive the per pupil adjustment of \$325 per pupil to get to \$10,525 per pupil in FY24 (the 2nd year of the 3-year freeze), but not the LRC adjustment, because it would be subject to the LRC threshold amount from the year it failed the referendum (i.e., \$10,000). Then, in FY25 (3rd year of the freeze), the additional \$325 per pupil would provide the district with \$10,850 per pupil. The district would still be subject to the lower LRC, and thus, would still not be able to take advantage of the LRC adjustment to get to \$11,000 per pupil.

This bill does not change the LRC threshold amount itself. Instead, by eliminating the current law provisions related to the 3-year LRC freeze for failed operating referenda, the bill would eliminate the penalty that prevents a school district from benefiting from the LRC adjustment mechanism that is built into the revenue limit formula.