



Legislative Fiscal Bureau

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

December 18, 2006

TO: Members
Special Committee on Review of State School Aid Formula

FROM: Russ Kava, Fiscal Analyst

SUBJECT: Revenue Limits -- Low-Revenue Ceiling

The following memorandum discusses the history of the low-revenue ceiling provision under revenue limits and alternatives to provide additional revenue limit authority under the provision.

Current Law

Under revenue limits, the annual increase in a school district's per pupil revenue derived from general school aids, computer aid, and property taxes is restricted. Actual general aids, computer aid, 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 per pupil revenue limit increase, which is adjusted annually for inflation, is added to the base revenue per pupil for the current school year. In 2006-07, this per pupil increase is \$256.93. There are several adjustments that are made to the standard revenue limit calculation, such as the low-revenue ceiling, the declining enrollment adjustment, and the carryover of unused revenue limit authority. These adjustments generally increase a district's limit, providing the district with more revenue authority within the calculated limit. A school district can also exceed its revenue limit by receiving voter approval at a referendum.

In 2006-07, any school district with a base revenue per pupil under revenue limits that is less than the low-revenue ceiling of \$8,400 is allowed to increase its per pupil revenues up to the \$8,400 ceiling. Under this provision, base revenue per pupil is determined by: (a) calculating the sum of the district's prior year general school aids, computer aid, and the property tax levy; (b) dividing the sum under (a) by the average of the district's membership for the three prior school years; and (c) adding the allowable per pupil revenue limit increase (\$256.93 in 2006-07) to the result. 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 are factored into the district's

base revenue per pupil calculation. Under current law, the low-revenue ceiling will remain at \$8,400 per pupil in subsequent years.

History

Revenue limits were first imposed on school districts in 1993-94. The low-revenue ceiling was enacted in the 1995-97 biennial budget act. That act set the low-revenue ceiling at \$5,300 per pupil in 1995-96 and \$5,600 per pupil in 1996-97. In each subsequent biennial budget act, the low-revenue ceiling has been increased, typically by \$200 or \$300 per pupil each year. The 2003-05 budget act, however, increased the low-revenue ceiling by \$500 per pupil in 2003-04 and \$400 per pupil in 2004-05.

Table 1 shows the low-revenue ceiling amount for each year since 1995-96. Table 1 also shows the statewide eligible revenue limit increase generated in each year by the low-revenue ceiling, the number of school districts that were eligible for the adjustment, and the number of districts that underlevied by an amount greater than the amount generated by the low-revenue adjustment (in other words, the number of districts that did not utilize any portion of the low-revenue adjustment in the given year). The attachment shows the 2006-07 low-revenue adjustment by school district. (The Norris School District, a residential school that is in a district consisting almost entirely of school property and that gets most of its support from state and federal aid, is excluded from consideration in this paper.)

TABLE 1

Low-Revenue Ceiling History

<u>Year</u>	<u>Low-Revenue Ceiling</u>	<u>Total Eligible Increase Generated by Low-Revenue Adjustment</u>	<u>Number of Districts Eligible for Low-Revenue Adjustment</u>	<u>Number of Districts with Underlevy Greater than Low-Revenue Adjustment</u>
1995-96	\$5,300	\$7,037,000	29	5
1996-97	5,600	7,675,800	33	3
1997-98	5,900	5,865,100	41	6
1998-99	6,100	1,767,000	16	4
1999-00	6,300	1,961,900	5	5
2000-01	6,500	600,500	6	4
2001-02	6,700	667,800	4	2
2002-03	6,900	508,100	2	1
2003-04	7,400	7,261,800	52	5
2004-05	7,800	18,431,900	87	5
2005-06	8,100	7,343,300	85	9
2006-07	8,400	8,202,600	94	7

The low-revenue ceiling is intended to decrease the disparity between low-revenue and high-revenue school districts in the state by providing additional revenue limit authority to low-revenue districts. In 1994-95, the year prior to enactment of the low-revenue ceiling, the highest base revenue per pupil for any district was \$11,584, while the lowest was \$4,287. The highest 2005-06 base revenue per pupil was \$14,484, while the lowest was \$7,551. Over that time, the base revenue per pupil for the lowest district increased by 76%, while for the highest it increased 25%. In 1994-95, the highest district had per pupil revenue 2.7 times that of the lowest district. By 2005-06, that ratio had decreased to 1.9.

Alternatives

By increasing the low-revenue ceiling, additional revenue limit authority can be provided to districts with lower per pupil revenues. Table 2 shows the statewide revenue limit authority that would have been generated by the indicated low-revenue ceiling amount had it been set at that level in 2006-07 and the number of districts that would have been eligible for the adjustment. Also shown is the amount that would be generated by setting the low-revenue ceiling at \$9,149 per pupil, which was the statewide average revenue limit authority per pupil, including adjustments, in 2006-07. The additional authority shown would have been funded by some combination of increased state general aid or local property tax levies. It is not known how many districts would have actually utilized the revenue limit authority generated under a higher low-revenue ceiling amount.

TABLE 2

2006-07 Effect of Alternate Low-Revenue Ceiling Amounts

	<u>Total Adjustment</u>	<u>Number of Eligible Districts</u>
\$8,400 (Current Law)	\$8,202,600	94
\$8,500	26,943,300	128
\$8,600	51,501,300	151
\$8,700	82,132,100	182
\$8,800	118,293,300	210
\$8,900	165,628,900	235
\$9,000	222,686,200	258
\$9,100	282,331,200	276
\$9,149 (Statewide Average)	312,657,800	286

RK/lah
Attachment

ATTACHMENT

2006-07 Low-Revenue Ceiling Adjustment

<u>District</u>	<u>Low-Revenue Adjustment</u>	<u>District</u>	<u>Low-Revenue Adjustment</u>
Algoma	\$5,667	Merrill Area	\$11,106
Almond-Bancroft	21,190	Mondovi	47,119
Amery	89,732	Montello	35,490
Auburndale	35,145	Mount Horeb Area	61,217
Baraboo	126,324	Mukwonago	210,557
Berlin Area	62,136	Nekoosa	46,634
Black River Falls	65,466	New Holstein	50,553
Blair-Taylor	1,668	New London	101,313
Burlington Area	759,913	North Cape*	55,622
Cadott Community*	255,704	North Crawford	25,625
Campbellsport*	355,470	North Fond du Lac	35,550
Cedar Grove-Belgium Area	22,119	Oconto	52,201
Chetek	42,376	Oconto Falls	7,075
Chilton	43,271	Oostburg	42,487
Coleman	32,690	Osceola	12,595
Colfax*	93,616	Oshkosh Area	381,198
Cornell	22,267	Owen-Withee	18,990
Delavan-Darien	69,143	Park Falls	31,829
Denmark	74,440	Phillips	35,874
East Troy Community	88,079	Pittsville	30,924
Ellsworth Community	74,296	Portage Community*	100,816
Fennimore Community*	32,518	Prairie du Chien Area	21,218
Fond du Lac	330,192	Prescott	19,728
Frederic	20,948	Princeton	30,983
Galesville-Etrick	67,817	Raymond #14	59,304
Genoa City J2	8,708	Rib Lake	19,027
Gillett	29,595	Rice Lake Area	1,462,487
Grantsburg	34,934	Seymour Community	58,645
Hayward Community	82,396	Shawano-Gresham	129,072
Hillsboro	25,454	Sheboygan Falls	34,958
Iola-Scandinavia	13,539	Shullsburg	24,574
Kiel Area	73,590	Slinger	45,672
Lake Geneva J1	7,956	Sparta Area	76,971
Luck	19,058	Spooner	41,067
Luxemburg-Casco	40,387	Stanley-Boyd Area	1,011
Manawa	36,911	Stratford	87,454
Maple	2,078	Sturgeon Bay	35,290
Marinette	100,913	Superior	1,214
Marion*	346	Tomah Area	135,280
Medford Area	90,416	Tomorrow River	3,925

<u>District</u>	<u>Low-Revenue Adjustment</u>	<u>District</u>	<u>Low-Revenue Adjustment</u>
Two Rivers	\$83,768	Wild Rose	\$7,436
Union Grove J1	93,569	Winneconne Community	67,060
Unity	36,296	Wittenberg-Birnamwood	22,255
Washburn	27,349	Yorkville J2	<u>47,833</u>
Washington-Caldwell	44,878		
		TOTAL	\$8,202,594
Waterford J1	205,713		
Waupaca	111,587		
Wautoma Area	82,204		
West Bend	286,083		
Westfield	45,440		

*Districts with underlevy greater than low-revenue adjustment.