



Legislative Fiscal Bureau

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May 19, 2011

Joint Committee on Finance

Paper #527

Revenue Limit Calculation for Newly-Created School Districts (DPI -- General School Aids and Revenue Limits)

[LFB 2011-13 Budget Summary: Page 345, #5]

CURRENT LAW

Under revenue limits, the amount of revenue a school district can raise from general school aids, computer aid, and property taxes is restricted. A district's base revenue in a given year is equal to the general aid, computer aid, and property tax revenues received in the prior school year. Base revenue is divided by the average of the district's enrollments in the prior three years to determine its base revenue per pupil. A per pupil adjustment is added to the base revenue per pupil to determine the district's current year revenue per pupil. In 2010-11, the per pupil adjustment is \$200. Current year revenue per pupil is then multiplied by the average of the district's enrollments in the current and prior two years to determine the district's initial revenue limit. There are several adjustments that are made to the standard revenue limit calculation, such as the low revenue ceiling and the declining enrollment adjustment. These adjustments generally increase a district's limit, providing the district with more revenue authority within the calculated limit. A district can also exceed its revenue limit by receiving voter approval at a referendum.

Statutes allow for the creation of a school district from the territory of one or more existing districts. Separate provisions govern the calculation of revenue limits for these districts in their first three years of operation, when either prior year aid and levy data would not reflect the existence of separate districts or the new districts do not have the three full years of separate enrollment data used in the standard calculation.

GOVERNOR

Reduce the initial revenue limit for newly-created districts by 5.5% in 2011-12 and 100% in 2012-13.

MODIFICATION

Modify the bill to reduce the base revenue per pupil for newly-created districts by 5.5% in 2011-12 and make no adjustment to base revenue per pupil for newly-created districts in 2012-13, consistent with other districts under the standard revenue limit calculation.

Explanation: In a March 31, 2011, letter to the Co-Chairs of Joint Finance, the DOA Secretary indicated that the bill should be amended to ensure an appropriate revenue limit calculation for newly-created districts. As drafted, the bill would apply the 5.5% reduction for these districts in 2011-12 to the initial revenue limit rather than the base revenue per pupil, as it would for other districts under the standard calculation. The bill would also set the initial revenue limit for these districts equal to zero in 2012-13, rather than providing no adjustment to base revenue per pupil in that year as under the standard calculation.

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