



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #530

Revenue Limit Adjustments for School Safety Expenditures, Above-Average Transportation Costs, and School Nurse Compensation Costs (DPI -- General School Aids and Revenue Limits)

[LFB 2011-13 Budget Summary: Page 347, #9, 10, and 11]

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.

The 2009-11 biennial budget act created nonrecurring revenue limit adjustments for school safety expenditures, above-average transportation costs, and school nurse compensation costs that would begin in the 2011-12 school year. Under each of these adjustments, a school board would be required to adopt a resolution to increase its limit using the adjustment.

School safety expenditures. The amount of this adjustment would be equal to \$100 times the number of pupils enrolled in the district or \$40,000, whichever is greater. To receive the adjustment, a district would be required to jointly develop an expenditure plan with a local law enforcement agency that specifies the purposes of the additional revenue and is consistent with the broader school safety plan required of districts. The expenditure plan would be required to

be submitted to DPI. A district could use funding generated by the adjustment to purchase school safety equipment, fund the compensation costs of security officers, or fund other expenditures consistent with its school safety plan.

Above-average transportation costs. This adjustment would be based on the difference, if positive, between the average amount spent by the district per pupil on transportation in the second-previous year and the statewide average amount per pupil spent on transportation in the second-previous year, multiplied by the district's pupil membership in the second-previous year. The adjustment would be equal to 50% of that amount in 2011-12 and 100% of that amount in 2012-13 and each year thereafter.

School nurse compensation costs. This adjustment would be equal to the amount spent by a district in the second-previous year for the salary and fringe benefits costs of school nurses employed by the district and of school nurses providing nursing services in the district under contract with the board.

GOVERNOR

Delete the revenue limit adjustments for school safety expenditures, above-average transportation costs, and school nurse compensation costs.

DISCUSSION POINTS

Overview

1. The three adjustments would provide additional revenue limit authority to districts beginning in 2011-12 to provide resources to fund three specific types of expenditures. These three adjustments, in addition to a fourth adjustment passed in the 2009-11 biennial budget act for energy efficiency measures that began in the 2009-10 school year, were the first time that adjustments were provided for specific classes of expenditures under revenue limits. The other adjustments under revenue limits tend to focus on classes of districts, such as districts with low revenue or districts with declining enrollment. A broader classification of expenditures, those for community service activities, has been exempted from revenue limits.

2. Under the bill, base revenue per pupil for each district would be reduced by 5.5% in 2011-12 and no adjustment would be made to base revenue per pupil in 2012-13. The general school aids appropriation would be reduced by \$390.5 million GPR in 2011-12 and \$358.8 million GPR in 2012-13. Under the bill, it is estimated that the statewide gross school levy would increase by 0.3% in 2011-12 and 0.4% in 2012-13. These property taxes estimates incorporate the Governor's recommendations to repeal the adjustments for school safety, school nurses, and above-average transportation costs.

3. If additional revenue limit authority is provided to districts by maintaining any or all of these adjustments without a corresponding increase in general school aids, higher school property taxes would result if districts decide to use some, or all, of any additional revenue limit authority.

4. Given the overall reduction in base revenue per pupil under the bill, it could be argued that maintaining the three adjustments would be overly prescriptive and may not address the needs of some districts. While the areas addressed by these adjustments may be important needs for some districts, other districts may have different needs that are more important depending on the situation of the district, such as maintenance costs or special education. It could lead some districts to allocate their resources inefficiently to take advantage of the adjustments.

5. If the Committee wishes to provide additional revenue limit authority to districts compared to the bill, adjusting the per pupil reduction would do so in a way that allows districts greater discretion in terms of budgeting. The per pupil reduction is addressed in a separate issue paper (Paper #525).

6. Maintaining adjustments for certain expenditures from revenue limits could result in more pressure over time to exempt additional categories of expenditures. In the 1975-77 budget, cost controls were placed on school districts. Under those provisions, the annual change in shared cost per member generally could not exceed a statutorily-specified percentage. To exceed the controls, districts could either submit the excess cost to referendum or submit an appeal to DPI for certain statutorily-allowed classes of shared cost, such as development of new special education programs or utilization of a newly-constructed building. When the controls were put in place, there were five categories of costs that could be appealed to DPI. Prior to the repeal of the controls in the 1983-85 budget, there were 15 categories.

7. It could also be argued that if a district's revenue limit does not allow it to fund expenditures for these three activities, the district has the option under current law to propose a referendum. Using this option would ensure that there is local support of the district's decision to make these types of expenditures, before it can spend or tax at higher levels. Statutory provisions governing school district referenda would not be modified under the bill.

8. Maintaining any or all of these adjustments would give districts additional resources within the revenue limit framework to address specific areas of spending that districts provide by law or by practice that are not directly related to the delivery of instructional services.

9. In its agency budget submission, the Department of Public Instruction (DPI) requested that the first year of these revenue limit adjustments be delayed until 2013-14. However, the DPI agency budget submission would have included an approximate \$200 per pupil revenue limit adjustment, so the proposed delay was in the context of a different approach to K-12 public school funding.

School Safety Expenditures

10. Each school board is required to have a school safety plan in effect for each school in the district. The plan must be created with active participation by appropriate parties and include general guidelines for emergency prevention and mitigation, preparedness, response, and recovery.

11. A number of recent events in the state and nation have raised the issue of the security of students and staff in schools, particularly those in the high school grades. Unsafe school environments have been cited as a barrier to student achievement, and can also be a factor in

children being truant from or dropping out of school.

12. A revenue limit adjustment for certain expenditures related to school safety was recommended by the Joint Legislative Council Special Committee on School Safety in 2008. The current law adjustment is generally consistent with the recommendations of the Special Committee.

13. Based on 2010-11 enrollment data, it is estimated that nearly \$85.8 million in revenue limit authority statewide would be generated by the school safety adjustment. Of the 424 districts in the state, it is estimated that 67 would receive the \$40,000 minimum adjustment, while the adjustment for the other 357 would be determined on a per pupil basis.

Above-Average Transportation Costs

14. Districts are generally required to provide transportation to all resident pupils living two or more miles from the nearest public school they are entitled to attend, with certain exceptions for pupils residing in cities or for districts containing cities. Districts are also generally required to transport resident pupils attending private schools located two or more miles from their residence.

15. Transportation costs can be particularly burdensome for geographically large districts with relatively small enrollments. These districts are generally less able to find efficiencies in their transportation operations, given the longer bus routes that have to be run for fewer pupils compared to smaller districts with a large number of pupils.

16. Based on audited data on transportation costs from 2009-10, it is anticipated that 260 districts would be eligible for \$30.5 million in revenue limit authority statewide as a result of this adjustment. This is based on 50% of the calculated amount specified in statute, which would apply for 2011-12. It is estimated that this adjustment would generate approximately \$61.0 million in revenue limit authority when fully implemented in 2012-13.

School Nurse Compensation Costs

17. School districts are required by statute to provide emergency nursing services. This requirement is one of the twenty standards for school districts. As a matter of practice, districts may also provide other medical services for students, including assistance in managing chronic illness, administering medication, and providing care to children with special medical needs.

18. Cost data reported by districts to DPI indicates that \$33.0 million in 2009-10 was spent by 242 districts on salary and fringe costs of school nurses employed by the district. An additional \$4.8 million was spent by 237 districts on contracted costs for nursing services. DPI staff indicate that some portion of these expenditures could be salary and fringe costs for nurses which would be eligible under the language of the adjustment, but might also include some ineligible costs such as supplies and services.

ALTERNATIVES

A. School Safety Expenditures

1. Approve the Governor's recommendation to delete the revenue limit adjustment for school safety expenditures.
2. Delete provision.

B. Above-Average Transportation Costs

1. Approve the Governor's recommendation to delete the revenue limit adjustment for above-average transportation costs.
2. Delete provision.

C. School Nurse Compensation Costs

1. Approve the Governor's recommendation to delete the revenue limit adjustment for school nurse compensation costs.
2. Delete provision.

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