



Legislative Fiscal Bureau

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July 17, 2023

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Potential Levy Effect of Partial Veto of Per Pupil Revenue Limit Adjustment

Under a partial veto of the 2023-25 budget (Act 19), the Governor extended the annual revenue limit adjustment of \$325 per pupil for 2023-24 and 2024-25 for 400 years to 2425. This office has received a number of requests to estimate the potential levy effect of Governor's partial veto regarding the per pupil revenue limit adjustment over multiple years. Because of a number of factors, it is not possible to provide such estimates. However, this memorandum does indicate the potential property tax impact of the \$325 per pupil revenue increase for 2024-25 absent the additional property tax relief funding provided in Act 19.

Background

Under revenue limits, the amount of revenue a school district can raise from general school aids, property taxes, and exempt property aid is restricted. A district's base revenue in a given year is equal to the restricted 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. In 2022-23, no per pupil adjustment was made to each district's base revenue per pupil to determine its current year revenue per pupil. 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 initial revenue limit, such as the low revenue adjustment, the base revenue hold harmless adjustment, and the declining enrollment adjustment, that generally increase a district's limit. A district can also exceed its revenue limit by receiving voter approval at a referendum.

2023-25 Budget Act

As passed by the Legislature, Senate Bill 70 would have set the per pupil adjustment under revenue limits at \$325 in 2023-24 and 2024-25, and there would have been no per pupil adjustment in 2025-26 and each year thereafter. The Governor's partial veto modified the language of the per

pupil adjustment so that the \$325 adjustment would apply from 2023 through 2025.

The Governor's partial vetoes did not affect any of the property tax provisions for the 2023-25 biennium, as passed by the Legislature. Thus, the partial vetoes did not change estimated statewide levies under Act 19 relative to SB 70 as passed by the Legislature in the 2023-25 biennium.

The effect of the Governor's partial veto on school district property taxes in future biennia will depend on the amount of general school aid or school levy tax credit funding appropriated in future biennial budget acts. Using an estimated revenue limit enrollment of 800,000 pupils for public schools, a \$325 per pupil adjustment in 2025-26 and 2026-27 would generate additional revenue limit authority of approximately \$260 million in 2025-26 and \$520 million in 2026-27 relative to the 2024-25 base. If those amounts of funding were appropriated for general school aids or for the school levy tax credit in each year, there would be no increases in the estimated school levy. If no additional funding for general school aids or the school levy tax credit were provided in each year, school boards would have the authority to increase levies by those amounts, in total, under revenue limits.

The actual effect of the partial veto in future biennia will depend on actual enrollments. There could be offsets to other revenue limit adjustments related to declining enrollment. Also, because the revenue limit per pupil adjustment is part of the indexing adjustment for the Racine and statewide private school choice programs and the special needs scholarship program, the per pupil payments and revenue limit adjustments related to those programs would increase as well under the partial veto. Using the estimated 28,000 pupils in those programs in 2024-25, the revenue limit adjustments would increase by approximately \$9 million in 2025-26 and \$18 million in 2026-27 relative to the 2024-25 base.

Median Valued Home

Projecting the property tax bill on the statewide median-valued home is an exercise that is used to compare the impact of policy decisions on the property tax bill during legislative deliberations on a specific budget, funding, or policy proposal. The estimate involves many factors that impact property taxes. In estimating the impact of the Governor's veto regarding the per pupil adjustment on the tax bill associated with the statewide median valued home, it is difficult to isolate the impact of just this one factor on the long-term net tax impact of that factor. Each year, changes in municipal levies due to net new construction, issued debt, enacted referenda, as well as changes in equalized values, tax incremental levies and values, changes in local government aid, and property tax relief aid all directly impact the estimated taxes on the statewide median-valued home. Further, the relative percentage changes in each of these values also impact the tax bill estimate. For example, if actual equalized values rise at rates faster than actual levies in a given year, the tax rate and net tax bill will decline, assuming all other variables are held constant. In addition, changes in the value of the statewide median-valued home relative to the other components involved in the estimate in a given year will also have an impact that estimated tax bill.

Thus, projecting the impact of the per pupil adjustment associated with partial veto beyond the current biennium is not possible. However, using this office's 2023-25 estimate of the property tax bill on the statewide median-valued home (estimated at \$244,400 for 2024(25)) could provide

some perspective on the impact that the partial veto could have on that estimated tax bill. 2023 Act 19 provides a \$325 per pupil increase for 2024(25), among other school funding changes for that year. As indicated earlier, this school funding decision, in isolation, had the effect of increasing levies by an estimated \$269.0 million in that year, if increased general school aid, school levy tax credit, and lottery credit funding had not been provided to offset the impact of these allowable levy increases. Had Act 19 not offset the \$269.0 million in additional school levy with general aid and tax credit funding in 2024(25) (an increase of \$278.7 million in general aid and tax credit funding in 2024-25 over 2023-24), the estimated tax bill on the statewide median-valued home tax bill for that year could have been \$87 higher in 2024(25) compared to the Act 19 estimate.

RK/AR/lb