



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #625

Indexing of Revenue Limit Per Pupil Adjustment (DPI -- General School Aids and Revenue Limits)

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. 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 district's allowable revenue 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 2008-09, this per pupil increase is \$274.68. Under revenue limits, three-year rolling averages of membership are used to calculate base year and current year revenues per pupil. 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 school district can also exceed its revenue limit by receiving voter approval at a referendum.

With respect to the indexing of the per pupil adjustment, s. 121.91(2m)(e)2. of the statutes states that the Department of Public Instruction (DPI) is to "[m]ultiply the amount of the revenue increase per pupil allowed under this subsection for the previous school year by the sum of 1.0 plus the allowable rate of increase under s. 73.0305 expressed as a decimal." Section 73.0305 states that, by the fourth Monday in June, the Department of Revenue must notify DPI of the allowable rate of increase and further states that "[t]he allowable rate of increase is the percentage change in the consumer price index for all urban consumers, U.S. city average, between the preceding March 31 and the 2nd preceding March 31, as computed by the federal department of labor."

GOVERNOR

No provision.

DISCUSSION POINTS

1. Since indexing of the per pupil adjustment began in 1998-99, the change in the consumer price index (CPI) has always been positive, resulting in an increase in the per pupil adjustment from year to year. Data from the federal Department of Labor indicates that CPI declined 0.4% from March of 2008 to March of 2009. Whether the 2009-10 per pupil adjustment would be lower than the 2008-09 per pupil adjustment as a result of this change in the CPI is unclear under the statutes.

2. Because state law refers to an "allowable rate of increase," one could interpret that to mean that the per pupil adjustment can only become greater or larger, which is a commonly-understood meaning for the word "increase." Under this interpretation, the per pupil adjustment would remain unchanged from the prior year if there was a negative change in the CPI. This would mean the 2009-10 per pupil adjustment would be \$274.68, the same amount as the 2008-09 per pupil adjustment. Based on current inflation projections, this would result in a per pupil adjustment of approximately \$279 in 2010-11.

3. However, one could also interpret s. 73.0305 as defining the entire phrase "allowable rate of increase" as the percentage change in the CPI. The word "change" is typically understood as meaning to alter or to make something different, without reference to the direction of the difference. Under this interpretation, by defining the annual modification to the per pupil adjustment to be a "change," without any explicit minimum floor on that change, a decrease in the CPI would lead to a decrease in the per pupil adjustment. This would mean the per pupil adjustment in 2009-10 would be \$273.58, which would be 0.4% less than the 2008-09 per pupil adjustment. The 2010-11 per pupil adjustment would be approximately \$278.

4. The Committee could choose to clarify the statutory language regarding the indexing of the per pupil adjustment to make explicit that, in the case of a decline in the CPI, the per pupil adjustment would either remain unchanged (Alternative 1) or decrease (Alternative 2) from the prior year adjustment.

5. DPI is the administering agency for school finance and revenue limits, and it will be up to the State Superintendent to interpret the law governing the calculation of the 2009-10 per pupil adjustment absent any statutory change (Alternative 3). DPI has not made a determination of the per pupil amount for 2009-10 as of the time of writing.

6. With the amounts of general aid appropriated under AB 75, the statewide difference between the two sets of per pupil adjustments with respect to partial school revenues, and thus the school district property tax levy, would be approximately \$700,000 in 2009-10 and \$1.3 million in 2010-11.

ALTERNATIVES

1. Clarify the statutory language for the indexing of the per pupil adjustment under revenue limits to make explicit that the adjustment in a given year would remain unchanged from the prior year if the March over March change in the CPI is negative.
2. Clarify the statutory language to make explicit that the adjustment in a given year would be lower than the prior year adjustment if the change in the CPI is negative.
3. Maintain current law.

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