



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 542: Carryover of Unused Revenue Limit Authority

Assembly Bill 542, which would modify current law relating to the carryover of unused revenue limit authority, was introduced on September 29, 2003, and referred to the Assembly Committee on Education. On October 7, the Committee recommended the bill for passage on a 14 to 2 vote. On October 15, the bill was referred to the Joint Committee on Finance.

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 2003-04, this per pupil increase is \$236.98. There are several adjustments that are made to the standard revenue limit calculation, such as the declining enrollment adjustment, carryover of unused revenue authority and the transfer of service 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.

Under the carryover adjustment for unused revenue limit authority, if a school district's revenues in any school year are less than the maximum allowed in that year, the revenue limit otherwise applicable to the district in the subsequent school year is increased by an amount equal to 75% of the difference between the district's actual revenues and the maximum amount allowed.

Current law also establishes a separate calculation of the 75% carryover, if the school district receives a positive prior year aid adjustment. Under this separate calculation, if a school district

receives a positive prior aid adjustment to its current year general school aid that is less than the difference between a district's revenue limit and actual revenues in the prior year, the district's revenue limit in the current year is increased by an amount equal to the sum of the aid adjustment and 75% of an amount equal to the district's prior year revenue limit less the district's prior year actual revenues less the amount of the aid adjustment. If the prior year aid adjustment is equal to or greater than the difference between a district's revenue limit and actual revenues in the prior year, the district's revenue limit in the current year is increased by an amount equal to the difference between the district's revenue limit and actual revenues in the prior year.

SUMMARY OF BILL

Under Assembly Bill 542, the revenue limit adjustment for carryover of unused authority would increase from 75% to 100% of the unused amount, beginning with revenue limits calculated in 2004-05. Current law regarding the separate calculation of the carryover adjustment for school districts with a positive prior year aid adjustments would be deleted.

FISCAL EFFECT

In 2003-04, the 75% carryover adjustment generated nearly \$2.8 million in additional revenue limit authority for 61 districts. (Those figures exclude 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.) Had the provisions of AB 542 been in effect for the calculation of revenue limits for 2003-04, the 100% carryover adjustment would have generated revenue limit authority of nearly \$3.7 million for those districts, an increase of approximately \$900,000 compared to current law. This represents 0.01% of the nearly \$7.0 billion in total revenue limit authority for school districts in 2003-04. To the extent that school boards utilize the additional revenue limit authority allowed under the provisions of the bill, school property taxes could increase.

However, some school districts that levied the maximum amount allowed under revenue limits in 2002-03 and thus did not receive a carryover adjustment in 2003-04 might not have levied the maximum amount if the district would not have lost 25% of the underlevy in 2003-04. To the extent that school boards would not levy the maximum amount allowed because they would no longer lose 25% of the underlevy in the subsequent year under the provisions of the bill, school property taxes could decrease.

Because the state no longer funds two-thirds of partial school revenues, the general school aids appropriation is not adjusted to reflect any changes to school district revenue limits under the bill. Thus, AB 542 would have no state fiscal effect. The local fiscal effect of the bill would depend on the decisions of school boards statewide as to how to set the levy under the provisions of the bill.

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