



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #736

Summer School Revenue Limit Enrollment Counts (DPI -- Revenue Limits)

[LFB 2001-03 Budget Summary: Page 533, #2]

CURRENT LAW

School district revenue limits restrict the amount of revenues that school districts can obtain through the combination of general school aids, computer aid and the property tax levy. On October 15 of each year, the Department of Public Instruction (DPI) provides school districts with an estimate of their general school aids for the current year. The difference between a school district's revenue limit and the October 15 general school aids estimate, less the district's computer aid eligibility, determines the maximum amount of revenue that the district is allowed to raise through the property tax levy. Actual general school 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 three-year rolling average of a school district's pupil enrollment is used to determine the allowable revenue increase under the limit. Specifically, the number of pupils is based on the average of a school district's membership count taken on the third Friday in September for the current and two preceding school years. For example, the average of the 1997, 1998 and 1999 September memberships was used to calculate the 1999-00 base year revenues per pupil. Then, the average of the 1998, 1999 and 2000 September memberships was used to determine the allowable revenue increase in 2000-01. In addition, beginning with revenue limits calculated for the 1998-99 school year, revenue limit enrollment includes 20% of summer school full-time equivalent (FTE) enrollment for the 1998-99 and 1999-00 school years. Beginning with revenue limits calculated for the 2000-01 school year, revenue limit enrollment includes 40% of summer school FTE enrollment for the 2000-01 school year and each school year thereafter.

A per pupil revenue increase is added to the base revenue per pupil to determine an allowable per pupil revenue increase. In 2000-01, the per pupil increase is \$220.29. The per pupil adjustment amount is indexed for inflation, by multiplying the prior year dollar amount by

the percentage change in the consumer price index between the preceding March and the second preceding March.

GOVERNOR

Specify that 25%, rather than the current law 40%, of summer school enrollment be added to the membership counts from the third Friday in September for determining a school district's revenue limit, beginning with the 2001 summer enrollment count used for the revenue limit calculation for the 2001-02 school year and in every school year thereafter.

Under the bill, a school district's enrollment count for revenue limit purposes in 2001-02 would include 20% of 1999 summer enrollment, 40% of 2000 summer enrollment and 25% (rather than 40% under current law) of 2001 summer enrollment. In 2002-03, enrollment counts would include 40% of 2000 summer enrollment and 25% (rather than 40% under current law) of 2001 and 2002 summer enrollment. Beginning in 2003-04 and in each year thereafter, enrollment counts would include 25% (rather than 40% under current law) of the three years' summer enrollments.

At the time of budget submission, staff at DOA estimated that this provision would reduce the cost of funding two-thirds of partial school revenues by approximately \$2.3 million GPR in 2001-02 and \$6.1 million GPR in 2002-03 compared to estimates of current law.

DISCUSSION POINTS

1. One factor to consider in determining the proportion of summer school FTE to include in membership for revenue limit purposes is the relative merit of summer school programs. To the extent summer school is viewed as providing additional academic instruction or learning experiences that are viewed as more central to the education of children, a relatively high proportion of summer enrollment might be included in membership for revenue limit purposes. To the extent that summer school is seen as offering enrichment activities that are not as vital to the core mission of schools, it may be considered more appropriate to include a smaller portion of summer school FTE in membership for revenue limit purposes.

2. For revenue limit purposes, summer enrollment includes students enrolled in academic summer classes or laboratory periods that are for necessary academic purposes, as defined by the State Superintendent in rule. Students in recreational programs and team sports are statutorily prohibited from inclusion in summer enrollment.

3. In rule, "academic purposes" is defined as summer school learning experiences which are related or similar to instruction that is offered during the rest of the school year or for which credit toward graduation is given. Summer school courses necessary for academic purposes may include all of the following: (a) music programs, lessons, sectionals or clinics, if taught by a licensed teacher; (b) swimming instruction programs, if taught or directed by a licensed teacher at the site of the instruction; and (c) up to 270 minutes of instructional time per student per day,

including field trips, if accompanied by a licensed teacher and if all pupils have equal access to field trips, regardless of their ability to pay. Summer school activities not necessary for academic purposes include all of the following: (a) travel time to events, including field trips; (b) performances, including band, orchestra, parades, and plays; (c) recreational programs and team sports; (d) participation in fairs or expositions by pupil organizations; and (e) any offering not provided by or directed on-site by a licensed teacher.

4. Another factor to consider in determining the proportion of summer school FTE to include as membership for revenue limit purposes is the degree to which allowing some proportion of summer school FTE to be counted allows districts to continue operating existing programs or provides incentives for more districts to begin such programs.

5. Revenue limits first applied to school district revenues in the 1993-94 school year. Summer school programs provided in 1993 would thus have been the first provided under revenue limits. A percentage of summer school enrollment was first included in the enrollment counts used for revenue limit purposes in 1998-99, meaning 1998 summer school enrollment would have been the first included in the revenue limit calculation.

6. The following table shows the statewide summer school FTE enrollment, the number of districts reporting summer school membership and the statewide September enrollment counts since 1990. While overall membership has increased at a decreasing rate for most of the period since 1990, changes in summer FTE membership and the number of districts reporting summer membership did not change at a steady pace. The largest decline in summer FTE membership and the number of districts reporting summer membership occurred between 1992 and 1993, while the largest increase occurred between 1997 and 1998. While September FTE membership increased by 12.0% from 1990 to 2000, summer FTE membership increased by 16.2% over the same period.

Summer and September FTE Membership, 1990 through 2000

| Year | Summer FTE Membership | | Districts Reporting Summer Membership | | September FTE Membership | |
|------|-----------------------|----------------|---------------------------------------|----------------|--------------------------|----------------|
| | Number | Percent Change | Number | Percent Change | Number | Percent Change |
| 1990 | 12,914 | | 344 | | 763,437 | |
| 1991 | 12,614 | -2.3% | 352 | 2.3% | 780,337 | 2.2% |
| 1992 | 13,321 | 5.6 | 351 | -0.3 | 797,599 | 2.2 |
| 1993 | 12,693 | -4.7 | 348 | -0.9 | 811,745 | 1.8 |
| 1994 | 12,268 | -3.3 | 349 | 0.3 | 826,141 | 1.8 |
| 1995 | 12,603 | 2.7 | 348 | -0.3 | 837,390 | 1.4 |
| 1996 | 13,055 | 3.6 | 349 | 0.3 | 848,475 | 1.3 |
| 1997 | 13,081 | 0.2 | 354 | 1.4 | 853,958 | 0.6 |
| 1998 | 14,765 | 12.9 | 365 | 3.1 | 854,781 | 0.1 |
| 1999 | 15,173 | 2.8 | 371 | 1.6 | 855,779 | 0.1 |
| 2000 | 15,011 | -1.1 | 378 | 1.9 | 855,033 | -0.1 |

7. One argument in favor of including some portion of summer enrollment counts with the September membership counts used for revenue limit purposes is that it could act as an incentive for districts to continue or begin to provide summer programming. As shown in the table, summer programming was provided for nearly 1,700 more FTE in 1998, which was the first year summer FTE were included in the enrollment count for revenue limits, than in 1997. A total of 29 districts that did not report summer school membership in 1997 provided summer programming in 2000 for a total of 237 FTE pupils.

8. On the other hand, in the first year that districts were able to use 40% of summer FTE enrollment in revenue limit counts, summer FTE membership declined and a smaller percentage of new districts reported summer membership than in 1998. While this could suggest that the marginal increase in the percentage of summer FTE eligible for revenue limit membership from 20% to 40% was not as significant as the initial increase from 0% to 20%, it should be noted that only one year of data with 40% of summer FTE included is available and any conclusions are limited.

9. Also, in the year before revenue limits were imposed, 351 districts offered summer programming to over 13,300 FTE pupils. The revenues used to support the cost of these summer programs were then included in the 1992-93 base revenues that were utilized to calculate the revenue limits in 1993-94. For these school districts, including summer school FTE pupils in revenue limits counts could be viewed as providing additional revenue authority, rather than as providing an incentive for districts to begin offering summer school or to expand current programming.

10. Another argument for counting a smaller proportion of summer school FTE in membership for revenue limit purposes is that most of the fixed costs involved in providing educational offerings, such as building costs and other permanent property, are already covered as a result of providing regular academic programs during the school year. Thus, the cost of providing summer school on a per pupil basis would likely be lower than that for providing instruction during the regular school year.

11. However, given that staffing is a relatively large component of school district costs, the provision of summer school still involves a relatively high degree of variable costs. As a result, it may be more appropriate to include a relatively larger proportion of summer school FTE in membership for revenue limit purposes as a reflection of these variable costs.

12. Based on more current information, the Governor's provision would reduce the cost of funding two-thirds of partial school revenues from current law by \$2.7 million GPR in 2001-02 and \$6.5 million GPR in 2002-03. Compared to the bill, this would represent a reestimate of -\$400,000 GPR in each year of the biennium.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to specify that 25% of summer school enrollment be added to the membership counts from the third Friday in September for determining a

school district's revenue limit, beginning with the 2001 summer enrollment count used for the revenue limit calculation for the 2001-02 school year and in every school year thereafter. Delete \$2.7 million in 2001-02 and \$6.5 million in 2002-03 for general school aids to adjust two-thirds funding.

| Alternative 1 | GPR |
|---|---------------------|
| 2001-03 FUNDING (Change to Base) | - \$9,200,000 |
| <i>[Change to Bill]</i> | <i>- \$800,000]</i> |

2. Specify that 30% of summer school enrollment be added to the membership counts from the third Friday in September for determining a school district's revenue limit, beginning with the 2001 summer enrollment count. Delete \$1.8 million in 2001-02 and \$4.4 million in 2002-03 for general school aids to adjust two-thirds funding.

| Alternative 2 | GPR |
|---|---------------------|
| 2001-03 FUNDING (Change to Base) | - \$6,200,000 |
| <i>[Change to Bill]</i> | <i>\$2,200,000]</i> |

3. Specify that 0% of summer school enrollment be added to the membership counts from the third Friday in September for determining a school district's revenue limit, beginning with the 2001 summer enrollment count. Delete \$7.1 million in 2001-02 and \$17.6 million in 2002-03 for general school aids to adjust two-thirds funding.

| Alternative 3 | GPR |
|---|------------------------|
| 2001-03 FUNDING (Change to Base) | - \$24,700,000 |
| <i>[Change to Bill]</i> | <i>- \$16,300,000]</i> |

4. Take no action. (Revenue limit membership counts would continue to include 40% of summer school enrollment.)

| Alternative 4 | GPR |
|---|---------------------|
| 2001-03 FUNDING (Change to Base) | \$0 |
| <i>[Change to Bill]</i> | <i>\$8,400,000]</i> |

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