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Revenue Limit Increases for School Safety Expenditures and Teacher Mentoring Activities (DPI -- General School Aids and Revenue Limits)

Bill Agency

[LFB 2007-09 Budget Summary: Page 463, #6 and 7]

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 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 2006-07, this per pupil increase is $256.93. 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.

GOVERNOR

School Safety Expenditures

Provide that a school district's revenue limit may be increased by a certain amount for expenses for school safety, beginning with revenue limits calculated in the 2008-09 school year. Specify that the amount of the revenue limit increase would be equal to $25,000 for up to the first 500 pupils enrolled in grades 9 through 12, and would increase by an additional $25,000 for each additional 500 pupils enrolled in grades 9 through 12.

To receive the revenue limit increase, require the school district and a local law enforcement agency to jointly develop a school safety plan that covers each school in the district that operates grades 9 through 12. Require the school district to submit the school safety plan to the State Superintendent no later than November 1 of the first school year in which the revenue limit increase would apply. Define "local law enforcement agency" to mean a governmental unit of one or more persons employed full time by a city, town, village, or county in the state for the purpose of preventing and detecting crime and enforcing state laws or local ordinances, employees of which unit are authorized to make arrests for crimes while acting within the scope of their authority.

Provide that a school district may use the revenue limit increase to: (a) purchase safety equipment specified by the State Superintendent by rule as eligible for the adjustment; or (b) fund up to $25,000 of the compensation costs associated with providing one security officer for the first 500 pupils enrolled in the district in grades 9 through 12, and up to $25,000 of the compensation costs for providing an additional security officer for each additional 500 pupils enrolled in the district in grades 9 through 12. Require the school district to enter into an agreement with the local law enforcement agency that requires the district and the agency to equally share the cost of compensating the security officers.

Teacher Mentoring Activities

Beginning with revenue limits calculated in the 2008-09 school year, provide that a school district's revenue limit may be increased by a certain amount for teacher mentoring activities that are required under PI 34 (the teacher licensing administrative code) for persons licensed as initial educators. Specify that the amount of the increase be equal to the amount of the mentoring activities expenses incurred per initial educator, less any amount received by the district for that initial educator in that school year from the categorical aid appropriation for mentoring grants for initial educators. Specify that the amount of the increase could not exceed $2,160 per initial educator.

DISCUSSION POINTS

Overview

1. The bill would provide additional revenue limit authority to districts to provide resources to fund two specific types of expenditures. With respect to school safety, a number of recent events in the state have raised the issue of the security of students and staff in schools, particularly those in the high school grades. The Department of Public Instruction (DPI) indicates that studies have shown that unsafe school environments can be a barrier to student achievement. With respect to teacher mentoring, under PI 34, three stages of licensure are established: initial, professional, and master educator. An initial educator license is a five-year, non-renewable license.

A school district employing an initial educator must provide ongoing orientation, seminars, and a qualified mentor. Mentors must be educators who have been trained to provide support and assistance to initial educators, and to provide input into evaluations of initial educators. DPI indicates that appropriate support and mentoring is an important factor in retaining new teachers.

2. By capping the amount of the adjustments, the state would maintain control over the maximum statewide revenue amounts generated by the adjustments, and could modify the statutory provisions in the future based on actual school district use of the adjustments and ongoing needs in these two areas.

3. The current 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, have been exempted from revenue limits. The Governor's recommendations would represent the first time that specific classes of expenditures would be provided limited adjustments under revenue limits.

4. Exempting certain expenditures from revenue limits could result in more pressure to exempt additional categories of expenditures. In the 1975-77 budget, cost controls were placed on school districts. Under the provisions, the annual change in shared cost per member generally could not exceed a statutorily-specified percentage. To exceed the controls, school 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.

5. It could be argued that the revenue limit adjustments proposed by the Governor are overly prescriptive. While school security and teacher mentoring may be important needs for some school districts, other districts may have different needs that are more important depending on the situation of the district, such as energy costs, health care costs, pupil transportation, or special education. By providing adjustments for two particular categories of costs, it may not address the needs of some districts. It could also lead some districts to allocate their resources inefficiently to take advantage of the adjustments.

6. If revenue limits are viewed as too restrictive for districts to fund school safety, teacher mentoring, or other needs in school districts, other options are available for the Committee to provide districts additional resources within revenue limits.

7. In deciding whether to provide additional revenue under revenue limits for these two purposes, the Committee may wish to consider other resources that are available to school districts for these areas. State categorical aid funding for teacher mentoring and federal aid for school security are described below under their respective sections.

8. The Committee could also choose to make no change to revenue limits for

adjustments for school safety and teacher mentoring expenditures. If a district's revenue limit does not allow it to fund these 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.

School Safety Adjustment

9. Based on 2006-07 enrollment data, it is estimated that the school safety adjustment would have generated nearly $15.8 million in revenue limit authority statewide, had it been in effect that year. Of the 425 districts in the state, 38 would have received an adjustment of over $50,000, 41 would have received a $50,000 adjustment, and 300 would have received a $25,000 adjustment. The 46 elementary (K-8) districts in the state would have received no adjustment.

10. Subsequent to the introduction of the budget bill, the Department of Administration (DOA) submitted an errata relating to the school safety adjustment. As drafted, the additional revenue limit authority generated by this adjustment would be recurring. DOA requested that the provision be clarified to state that any additional revenue generated by the adjustment be nonrecurring. DOA also requested that the requirement that a district and a local law enforcement agency develop a school safety plan apply only if the district uses the adjustment to fund school security officer compensation costs. As drafted, the bill would also require a plan be developed if the district only used the revenue to purchase school safety equipment.

11. Under Title IV-A of the federal Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act, funding is available under the Safe and Drug-Free Schools and Communities program for grants to school districts for drug and violence prevention programs. Among the allowable expenditures under the program are: (a) acquiring and installing metal detectors, electronic locks, surveillance cameras, or other related equipment and technologies; (b) reporting criminal offenses committed on school property; and (c) developing and implementing comprehensive school security plans or obtaining technical assistance concerning such plans. In 2006-07, school districts in Wisconsin received a total of $4.2 million in grants under this program.

12. Under the bill, K-8 districts would not be eligible for an adjustment. If a K-12 district would choose to use the revenue generated by this adjustment for security officer compensation costs, the district would be limited in providing the officers for pupils in grades 9 through 12. However, no similar grade restriction would be placed on a K-12 district under the bill if it would choose to use the revenue for safety equipment.

13. The Committee could choose to modify the provision to address the status of K-8 districts. One option would be to provide each K-8 district with a $25,000 adjustment, which would be equal to the smallest amount for which a K-12 or union high school district would be eligible. This would give all school districts in the state the option of utilizing additional revenue under the adjustment for security costs.

14. However, if the Committee chooses to limit the focus of the adjustment to high

school grades, another alternative would be to specify that, if a district uses the revenue under the adjustment to purchase safety equipment, the equipment would have to be used in schools that operate grades 9 through 12.

15. The Committee could also address the issue of the security plan required under the adjustment. Under the Governor's recommendation, as technically corrected, districts that would choose to use revenue from the adjustment for security officer compensation costs would have to develop a school safety plan with a local law enforcement agency and submit the plan to the State Superintendent. This requirement could help to ensure that the school district and local law enforcement agency focus on using the revenue allowed under the adjustment in an efficient manner.

16. However, state law already requires school boards to have a school safety plan for each school in the district. Further, DPI would have no responsibility with respect to the plans required under the bill other than to receive them from school districts. Because of the current requirement for school safety plans, the Committee could chose to delete the additional requirement.

Teacher Mentoring Adjustment

17. In calculating the impact of the proposed adjustment for teacher mentoring, DOA made assumptions on the amount of staff time and cost that a district would spend in providing a mentor for an initial educator calculation, which resulted in the $2,160 figure in the bill. After consideration of the maximum grant amount of $375 per initial educator from the categorical aid program for mentoring grants for initial educators, districts would be eligible for an adjustment of $1,785 per initial educator. Using an estimate of 3,600 first-year initial educators in the state, the maximum statewide total revenue limit adjustment under this provision is estimated to be $6.4 million.

18. As drafted, the additional revenue limit authority generated by this adjustment would be recurring. In an errata request, DOA asked that the provision be clarified to specify that the adjustment be nonrecurring. DOA also requested that the adjustment should apply only to initial educators in their first year of teaching. Under PI 34, a person can be licensed as an initial educator for up to five years, although the mentoring period may be less than the five years.

19. In the 2005-07 budget, a categorical aid program was created for mentoring grants for initial educators, funded at $1.35 million GPR beginning in 2006-07. Under the program, DPI is required to award a grant for each initial educator employed in a position requiring a teaching license. Each grant equals the amount that the employer is spending to provide a mentor for the initial educator, not to exceed $375 per initial educator. If funding is insufficient, payments are prorated. While total claims under this categorical program for 2006-07 are not yet available, DPI staff indicate that funding will likely not need to be prorated for the first year of the grants.

20. Under a separate peer review and mentoring categorical aid program with $500,000 GPR of annual funding, a cooperative educational service agency (CESA) or a consortium

consisting of two or more school districts or CESAs, or a combination thereof, may apply to DPI for a grant to provide technical assistance and training for teachers to implement peer review and mentoring programs. Grantees are required to provide matching funds, which may be in the form of money or in-kind services or both, equivalent to at least 20% of the amount of the grant awarded. DPI cannot award more than $25,000 to an applicant in a fiscal year. In 2006-07, 38 grants totaling $500,000 were awarded under this program.

21. Given that a categorical aid program was just created in the last budget for the purpose of providing additional financial resources for school districts outside of revenue limits for mentoring for initial educators, the Committee could choose to provide additional categorical aid funding rather than creating another revenue source for this purpose. One option would be shift $4,150,000 from general school aids to the mentoring grants appropriation in 2008-09. This would provide the same level of additional state support through the categorical as would be provided through the revenue limit adjustment under the bill (the $6.4 million in revenue limit authority times the estimated 64.9% level of state support in 2008-09). To distribute the additional funding under this alternative, the maximum grant amount could be increased from $375 to $1,530 per initial educator.

Other Options

22. If the Committee wants to provide additional resources to school districts within the current revenue limit framework to provide revenue for school safety, teacher mentoring, or other district needs, one alternative would be to increase the per pupil adjustment under revenue limits by an additional $25 in 2008-09. This would generate same amount of estimated additional revenue limit authority in 2008-09 as under the provisions of the two proposed adjustments under SB 40. Compared to the Governor's recommendation, this alternative would give districts greater discretion in how they spend any additional revenue. Districts would also have the option of not using the additional revenue authority.

23. There have also been a number of proposals discussed in the past to provide school districts with some flexibility under revenue limits outside of the standard revenue limit calculation. In January, 2007, the Joint Legislative Council Special Committee on Review of State School Aid Formula expressed consensus for such a proposal.

24. Under the Special Committee's proposal, a school board, by a two-thirds vote of its members by November 1 of a given year, would be allowed to increase the district's revenue limit, on a nonrecurring basis, by an amount equal to 1% of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current three-year rolling average pupil enrollment. During its deliberations, the Special Committee believed that this would provide local school boards with additional budgetary discretion and allow them to use it for whatever needs are most pressing in the district.

25. To address interactions with the equalization aid formula, the Special Committee recommended additional provisions be included with the flexibility option. Under these provisions,

any funds raised under the 1% adjustment would be excluded from shared costs, meaning that expenditures made under this adjustment would not be aided by the state. Also, a district would be required to levy the maximum amount allowed under its revenue limit and would not be able to put the additional revenue in the balance of any fund beyond June 30 of the school year in which the resolution was adopted. Finally, districts would be required to expend or encumber all revenue under this provision in the school year in which the resolution was adopted.

26. Negative tertiary aid districts would be advantaged by the shared cost exclusion, because any expenditures from the additional revenue would not generate negative aid under the equalization formula. However, the shared costs exclusion would also mean the districts with lower equalization value per member would not receive state aid on these expenditures to help equalize their tax base. As a result, districts with lower value per member would need a higher mill rate to generate these additional revenues than districts with higher value per member. The remaining additional provisions would reduce incentives districts may have in using the revenue generated under the adjustment as opposed to the revenue generated under the standard revenue limit calculation.

27. If this provision were effective in 2008-09, it is estimated that it would generate $95 per pupil. If all districts utilized this flexibility, it is estimated that nearly $82 million in revenue limit authority, funded from the property tax levy, would be generated in 2008-09.

ALTERNATIVES TO BILL

A. School Safety Adjustment

1. Approve the Governor's recommendation to provide a revenue limit increase for school safety expenditures, generally equal to $25,000 per 500 pupils enrolled in grades 9 through 12. Modify the recommendation, as requested by DOA, to make the adjustment nonrecurring and to specify that the requirement for a school safety plan only applies if a district uses the adjustment to fund school security officer compensation costs.

2. Approve Alternative 1 with a modification to delete the requirement under the adjustment that districts develop a school safety plan and submit it to DPI. (The current law requirement that school boards to have a school safety plan for each school in the district would be maintained.)

3. Modify either Alternative 1 or 2 to either:

   a. allow K-8 districts to receive a $25,000 adjustment; or

   b. specify that, if a K-12 district uses revenue under the adjustment to purchase safety equipment, the equipment would have to be used in buildings that operate grades 9 through 12.

4. Delete provision.

B. Teacher Mentoring Adjustment

1. Approve the Governor's recommendation to provide a revenue limit increase for teacher mentoring activities required under PI 34, equal to the amount of mentoring expenses incurred per initial educator less categorical aid received, not to exceed $2,160 per initial educator. Modify the recommendation, as requested by DOA, to make the adjustment nonrecurring and to specify that the adjustment apply only to initial educators in their first year of teaching.

2. Delete provision and, instead, shift $4,150,000 GPR in 2008-09 from the general school aids appropriation to the categorical aid appropriation for mentoring grants for initial educators. Increase the maximum grant amount under the program from $375 per initial educator to $1,530.

3. Delete provision.

C. Alternate Approaches

1. Increase the per pupil adjustment under revenue limits on a one-time basis by an additional $25 in 2008-09 above the amount that results under the current law inflationary adjustment. Beginning in 2009-10, the current law inflationary adjustment would be applied to the higher 2008-09 per pupil adjustment.

2. Beginning in 2008-09, provide that a school board, by a two-thirds vote of its members by November 1 of a given year, would be allowed to increase the district's revenue limit, on a nonrecurring basis, by an amount equal to 1% of the statewide average allowable revenue per pupil in the previous school year, multiplied by the district's current three-year rolling average pupil enrollment. In addition: (a) specify that expenditures from funds raised under the adjustment would be excluded from shared costs; (b) require a district to levy the maximum amount allowed under its revenue limit in the school year in which the resolution was adopted; (c) prohibit a district from using the additional revenue to increase the balance of any fund beyond June 30 of the school year in which the resolution was adopted; and (d) require districts to expend or encumber all revenue from the adjustment in the school year in which the resolution was adopted.

3. Maintain current law.

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