



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2005 Wisconsin Act 219
[2005 Senate Bill 482]

**Revenue Limits and Special
Adjustment Aid When New School
District Created**

The statutes provide a process by which a new school district may be created out of one or more existing school districts. 2005 Wisconsin Act 219 does not change the process for such a reorganization but does change: (a) how special adjustment aid to a school district from which territory was detached to create a new school district (that is, a surviving school district) is calculated; and (b) how the revenue limit for a surviving school district is calculated, including the declining enrollment adjustment to a surviving school district's revenue limit. Other than a technical correction, the Act does not change statutes that uniquely apply to calculating revenue limits and state aid for the newly created school district.

Special Adjustment Aid

In general, in each school year, a school district is guaranteed to receive at least 85% of the amount of state aid that it received in the prior school year. This special adjustment aid is commonly referred to as a "hold harmless" payment.

Wisconsin Act 219 provides that for a surviving school district in the school year following the school year in which the reorganization takes effect, the prior year aid amount is modified to reflect the membership remaining in the school district *before* calculating the 85% hold harmless special adjustment aid. For example, if the surviving school district retained 67% of its pupils in the reorganization, its prior year aid would be multiplied by .67 before determining whether its aid in the current school year declined to less than 85% of the prior year aid amount.

Revenue Limit Calculation

A school district is subject to a limit on the annual increase in its revenue derived from certain sources, unless a higher limit is approved by referendum or a statutory exception applies. For a surviving school district as described above, Wisconsin Act 219 modifies the revenue limit calculations to avoid using pupil counts from years prior to the reorganization. The Act does this with respect to the

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.

method used to determine base revenue per pupil in the prior school year and the pupil enrollment number by which the adjusted base revenue per pupil is multiplied to determine the revenue limit.

Declining Enrollment Adjustment to Revenue Limit

In general, if a school district's three-year rolling average pupil enrollment in a school year is less than the prior school year's three-year rolling average pupil enrollment, the school district receives a one-year nonrecurring adjustment to its revenue limit in a dollar amount equal to 75% of what the decline in the three-year rolling average membership would have generated.

Under the Act, this declining enrollment adjustment is altered for a surviving school district so that it is not affected by larger pupil counts prior to reorganization. Specifically:

- For the school year the reorganization takes effect, the school district is not eligible for the 75% declining enrollment adjustment.
- For the school year following the school year the reorganization takes effect, the 75% declining enrollment adjustment is based on comparing the pupil count in the current school year with the pupil count in the previous school year, rather than comparing three-year rolling averages.
- For the second school year following the school year the reorganization takes effect, the 75% declining enrollment adjustment is based on comparing the average pupil count in the current school year and previous school year with the average pupil count in the previous two school years, rather than comparing three-year rolling averages.
- For subsequent years, existing law (comparing three-year rolling averages) is in effect.

Initial Applicability: The Act applies to school district reorganizations that take effect on or after July 1, 2006.

Effective Date: April 11, 2006.

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April 11, 2006

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