



ROBERT WITTKE

STATE REPRESENTATIVE • 62nd ASSEMBLY DISTRICT

**Testimony of State Representative Robert Wittke
Assembly Bill 553
Assembly Committee on Education
December 19, 2019**

Dear Chairman Thiesfeldt and Committee Members:

Thank you for holding a public hearing on Assembly Bill 553 (AB 553). I appreciate the opportunity to share my testimony with you today.

Assembly Bill 553 would allow school districts to adjust revenue limits for investing in energy conservation measures. I support this legislation because as a former school board member and past president, my experience with contracting for energy conservation measures in the Racine Unified School District are good examples of why this change in law would be valuable to School Districts across the state.

Several projects utilizing the energy conservation measure revenue adjustment option were completed by Racine Unified School District. For each, the District maintained a stable property tax rate for taxpayers, produced cost savings, and the projects completed extend the useful life of existing facilities.

Accountability is a necessary component for these projects, and as drafted, Assembly Bill 553 puts into place additional safeguards for taxpayers and uniform accountability measures for all who choose to use this tool for their school district. These tools are particularly valuable to our rural Districts.

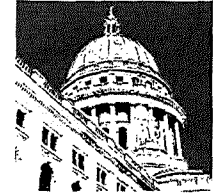
I recognize that some districts may have abused how they used this program for building modifications that were not energy conservation measures. For this reason, I am pleased to have worked with stakeholders to develop protections for taxpayers that include:

- The school board must *adopt a resolution* to use revenue limit adjustment to implement or purchase energy conservation measures
- *Retains current law defining "energy conservation measure"* as it applies to an energy savings performance contract
- Any debt incurred under this bill *shall be repaid in a term not to exceed 20 years*, 80 percent of the useful life of the energy conservation measure or 80 percent of the useful life of the facility, whichever is less
- The school board shall hold a *public hearing on the resolution at least 30 days before voting on the resolution*

- *Shall provide public notice at least 10 days prior and include a detailed description of the project; the energy conservation measures to be purchased or implemented; a listing of each facility that will be impacted; the projected principle cost of the energy conservation measures; debt service and total cost; projected amount of time for the total savings for the project; useful life of the energy conservation measures; utility and operation cost savings, and the avoided inflationary and operational productivity costs attributable to the energy conservation measures*
- *Once the resolution is passed, the school board shall submit a report to the Department of Public Instruction along with a certified statement signed by the school board president and the school district administrator that states the board considered and made a good faith effort to comply with all the requirements set forth in the bill*
- *The Legislative Audit Bureau is requested to audit how school districts use the energy conservation measures revenue adjustment during the two school years following the date the bill is enacted*

Thank you again for holding this public hearing on Assembly Bill 553. This is an important bill that will help schools across the state. I am happy to answer any questions.

Wisconsin Legislative Council



Anne Sappenfield, Director
Jessica Karls-Ruplinger, Deputy Director

TO: REPRESENTATIVE ROBERT WITTKÉ

FROM: Anna Henning, Senior Staff Attorney

RE: 2019 Assembly Bill 553, Relating to the School District Revenue Limit Adjustment for Energy Efficiency Projects

DATE: December 18, 2019

This memorandum responds to your request for a summary of changes made by 2019 Assembly Bill 553, relating to the school district revenue limit adjustment for energy efficiency projects, together with relevant background information.

BACKGROUND

Current law generally prohibits a school district from increasing its revenue¹ by more than an amount determined by a statutory formula. [s. 121.91 (2m) (i), Stats.] However, current law provides two categories of “adjustments” to school district revenue limits: (1) “recurring adjustments,” which permanently affect a school district’s base revenue limit; and (2) “nonrecurring adjustments,” which adjust a school district’s revenue limit in any year in which the adjustment applies but do not permanently adjust the school district’s base limit.²

One such nonrecurring revenue limit adjustment is an adjustment for financing energy efficiency projects. The adjustment increases a school district’s revenue limit by the amount spent by the school board on a project to implement energy efficiency measures or to purchase energy efficiency products, including debt service payments for the project, if certain conditions apply. [s. 121.91 (4) (o) 1., Stats.]

However, the budget adjustment is not available for new energy efficiency projects. It applies only to projects approved by a school board resolution adopted before January 1, 2018.³ [s. 121.91 (4) (o) 4., Stats.]

¹ In this context, “revenue” means the combination of funds received through state school aid and the tax levy. [s. 121.90 (1m), Stats.]

² For a more detailed explanation regarding school district revenue limits, see Legislative Fiscal Bureau, *Local Government Expenditure and Revenue Limits*, Information Paper 12 (Jan. 2019), at 1-10.

³ The adjustment was created in 2009 Wisconsin Act 28 (the 2009-11 Biennial Budget Act). A partial veto of the provision resulted in a requirement that a school board’s resolution must be adopted either before January 1, 2018 or after December 31, 2018.

2019 ASSEMBLY BILL 553

2019 Assembly Bill 553 generally reinstates the revenue limit adjustment for energy efficiency, described above. The bill also: (1) refines key terms; (2) adds new procedural requirements; (3) expands a provision requiring realized energy savings to be used to retire debt; and (4) requests the Legislative Audit Bureau (LAB) to conduct an audit regarding the use of the adjustment.

Key Terms and Conditions

As described above, **current law** (applicable to school district resolutions approved before January 1, 2018), provides a nonrecurring revenue limit adjustment for projects to implement “energy efficiency measures” or to purchase “energy efficiency products,” if the following conditions are satisfied:

- The project results in the avoidance of, or reduction in, energy costs or operational costs.
- The project is governed by an energy savings performance contract entered into with a qualified provider for an evaluation of energy conservation and facility improvement measures.⁴
- The bond, note, or loan obtained to finance the project is used for a term not exceeding 20 years.

[s. 121.91 (4) (o) 1., Stats.]

Current law does not specifically define “energy efficiency measures” or “energy efficiency products” for purposes of the revenue limit adjustment.

Instead, **the bill** increases a school district’s revenue limit for projects to purchase or implement “energy conservation measures,” if similar conditions as apply under current law are satisfied.⁵ The bill incorporates the definition of “energy conservation measures” set forth in an existing state statute authorizing energy savings performance contracting.⁶ That statute generally defines “energy conservation measure” as a “facility alteration or training, service, or operations program designed to reduce energy consumption or operating costs, conserve water resources, improve metering accuracy, or ensure state or local building code compliance.” The statute also enumerates specific examples of such measures. [s. 66.0133 (1) (a) and (11), Stats.]

As described above, current law, retained by the bill, requires an energy efficiency project to be governed by an energy savings performance contract. Thus, the revised term under the bill arguably merely clarifies the scope of eligible projects authorized under current law.

⁴ Current law incorporates performance contracting requirements set forth under s. 66.0133, Stats.

⁵ Under the bill, the same conditions apply as under current law, except that the bill modifies the third condition listed above to require that “the bond, note, or loan obtained to finance the project is used for a term not exceeding 20 years, **80 percent of the useful life of the energy conservation measures, or 80 percent of the useful life of the facility at which the project is implemented, whichever is later.**”

⁶ All 50 states authorize energy savings performance contracting in some form. Wisconsin law authorizes a local unit of government, broadly defined, to enter into a performance contract with a company experienced in the design, implementation, and installation of energy conservation and facility improvement measures, and who has the ability to provide labor and material payment and performance bonds that satisfy certain criteria, to take certain actions relating to energy and operating savings or ensuring code compliance. The law establishes certain procedural requirements relating to procurement, reporting, and contract terms. [s. 66.0133, Stats.]

New Procedural Requirements

Current statutes do not impose a public hearing or reporting requirement relating to the revenue limit adjustment.⁷

The bill requires a school board to hold a public hearing on a resolution to exceed the school district's revenue limit for purposes of energy conservation measures. The hearing must be held at least 30 days before the school board votes on the resolution. At least 10 days before the public hearing, the bill requires the school board to publish a Class 1 notice that includes a detailed description of the project and specified other information relating to the cost, anticipated utility and operational cost savings.

In addition, the bill requires a school board that utilizes the revenue limit adjustment to submit a report to the Department of Public Instruction (DPI). The report must include all of the following:

- The school board's vote on the resolution to exceed the school district's revenue limit for spending on energy conservation measures.
- Certain information relating to the bond, note, or state trust fund loan obtained to finance the project.
- Each facility impacted by the project.
- The total cost, projected principle cost, and project debt service cost of the energy conservation measures.
- The projected amount of time for the total energy or operational savings and avoided costs to exceed the total cost of the energy conservation measures.
- The projected useful life of the energy conservation measures.
- The projected useful life of each facility at which energy conservation measures will be made or installed.
- The utility cost savings and operational cost savings attributable to the energy conservation measures.
- Certain avoided costs attributable to the energy conservation measures.
- A certified statement, signed by the school board president and school district administrator, stating that the school board considered and made a good faith effort to comply with state law requirements relating to the revenue limit adjustment.

Use of Realized Savings to Retire Debt

Under **current law**, if a school district obtains a bond, note, or state trust fund loan to finance an energy efficiency project eligible for the revenue limit adjustment, and the school district's **utility costs** are measurably reduced as a result of the project, then the school board must use the savings to retire the bond, note, or state trust fund loan. [s. 121.91 (4) (o) 3., Stats.]

The bill expands that provision to require a school district to also use savings resulting from a reduction in **operational costs** to retire the bond, note, or state trust fund loan.

⁷ However, administrative rules that took effect in 2016 require school boards to submit certain information regarding utility savings. [s. PI 15.03 (7), Wis. Adm. Code.]

LAB Audit

Under **current law**, an audit of the revenue limit adjustment could be conducted at the initiative of the Joint Legislative Audit Committee or LAB, pursuant to general authority under s. 13.94, Stats., but an audit has not been specifically requested.

The bill requests LAB to conduct a performance evaluation audit regarding school districts' use of the revenue limit adjustment during the 2020-21 and 2021-22 school years.

If you have any questions, please feel free to contact me directly at the Legislative Council staff offices.

AH:jal:ksm



NORWAY J7 SCHOOL DISTRICT DROUGHT SCHOOL



21016 W. 7 Mile Rd.
Franksville, WI 53126
P: 414-425-6020
262-895-7778
F: 414-425-6038

www.droughtschool.net
office@droughtschool.net

Carrie Reid, District Administrator



Wednesday, December 18, 2019

Dear Representative Wittke and the Assembly Committee on Education,

In anticipation of the public hearing on Thursday, December 19th, we wanted to testify on the benefit Assembly Bill 553 would have for our school district.

Our school district is the Norway J7 School District in Racine County. We are a rural, one school district and have a track record of fiscal responsibility. We currently carry no debt and were able to pay off the long-term debt we carried from our school addition in 1999 early. AB 553, if passed, will help our district undertake a deferred project to replace our aging boiler and heating system – critical energy system updates. We anticipate reduced energy consumption and improved classroom learning environments for our students as well.

Our boiler has been working hard for us since 1957, however, with an estimated life up to 35 years, we know it is only a matter of time before it's no longer able to function efficiently. It is our intent to address this deferred project proactively in the summer of 2020 versus reactively on breakdown. Also, fast forward 62 years from 1957 and we know our next boiler, or boilers, will make huge leaps in energy efficiency. Coupled with upgrades to the classroom units (which typically make our classrooms too hot or too cold, but not in-between) and an overall study and upgrade to the full heating system, these items are crucial to the future of our school building.

Unfortunately, these projects cannot be completed within our district operating budget. And, we are learning that this project could take up to half of our current fund balance. The ability to utilize a revenue limit exemption, while communicating with our taxpayers and maintaining fiscal transparency, would allow us to maintain our fund balance, or reduce the impact to our fund balance, and help to reduce borrowing and the cost of borrowing. AB 553 would allow us to focus on the long-term efficiency of our facility and improve our learning environment. Clearly our equipment is long past its designated life.

Thank you for allowing us this opportunity to share our thoughts and the impact AB 553 could have on our district. Please do not hesitate to reach out to myself, or our district business office (Marisa Joehnk), at 414-425-6020 with any questions.

Kind regards and happy holidays,



**Submitted testimony of Carly Michiels
Government Affairs Director, Clean Wisconsin
Assembly Committee on Education
Assembly Bill 553 – school district revenue limit adjustment for energy efficiency projects
October 22, 2019**

Thank you for the opportunity to submit testimony on Assembly Bill 553 relating to school district revenue limit adjustment for energy efficiency projects.

Clean Wisconsin is a non-profit environmental advocacy group focused on clean water, clean air, and clean energy issues. We were founded almost fifty years ago and have 20,000 members and supporters around the state. We've been working on clean energy issues in Wisconsin since our founding, and while some of the particulars have changed, Wisconsin remains a state with abundant opportunity for renewable resource growth, electrification, and increased energy efficiency. Clean Wisconsin employs scientists, policy experts, and legal staff to bring all the tools at our disposal to protect and improve our air and clean energy resources.

Clean Wisconsin supports strong energy efficiency initiatives to help all people and businesses consume less energy and save more on their bills. The goal of energy efficiency is to get the same or better services (like well-lit rooms, hot water, and cold beverages) than before, while using less energy. It is generally the cheapest energy resource and saves money while reducing the pollution that comes from burning fossil fuels. Making Wisconsin more energy efficient will help clean our air and water, reduce electricity bills, create jobs, and foster energy independence.

AB 553 reinstates the revenue limit adjustment for energy efficiency and allows school districts to better utilize this process for projects that would greatly benefit aging facilities. According to Focus on Energy, Wisconsin schools spend more than \$175 million a year on energy costs. We know that energy efficiency is one of the easiest and most cost-effective ways to combat climate change, clean the air we breathe, improve the competitiveness of our businesses, and reduce energy costs for consumers.

Installing cost-effective energy efficiency and renewable energy projects creates jobs and upgrades local infrastructure. Wisconsin already spends billions of dollars annually importing fossil fuels. Energy efficiency investments can be made at a far lower cost, reducing waste, and can help avoid the need for more expensive power plants in the future. Bottom-line, investing in energy efficiency saves money, reduces demand, and cuts energy bills.

Clean Wisconsin supports this and all initiatives to increase investments in energy efficiency in our state and make it easier for places like school districts to realize these benefits. We appreciate this proposal from the legislators who introduced and support this bill.

Thank you.



Luther S. Olsen

State Senator

14th District

TO: Assembly Committee on Education
FROM: Senator Luther Olsen
DATE: Thursday, December 19, 2019
SUBJECT: Testimony for Assembly Bill 553

Thank you Chairman Thiesfeldt and members of the Assembly Committee on Education for holding a hearing and allowing me to testify in support of Assembly Bill 553 (AB 553).

Current law limits the total amount of revenue per pupil that school districts can receive from school aids and property taxes in a school year to the amount of revenue allowed per pupil in the previous year. However, current law also provides a revenue limit adjustment for the amount a school district spends on projects related to energy efficiency if the school district's school board adopted a resolution before January 1, 2018.

This legislation would modify several provisions related to the energy efficiency revenue limit adjustment. First, it removes the restriction that the school board must have passed a resolution before January 1, 2018 so if school boards adopt a resolution they are able to utilize the energy efficiency revenue limit adjustment. It changes the eligibility requirements so that a qualifying project is a project that purchases or implements energy conservation measures. It also changes the requirement for the term of any debt issued to finance the energy efficiency project so that any debt issued may not be for a term that is longer than 20 years or 80% of the useful life of the energy conservation measures, whichever is shorter.

This bill also has a number of requirements for school boards that wish to utilize the energy efficiency revenue limit adjustment. It requires a resolution, it requires the school board to hold a public hearing on that resolution at least 30 days before holding a vote, it requires them to submit a report on the passed resolution to the Department of Public Instruction, and if the school board issued debt to finance the project the operational cost savings must be used to pay off that debt.

Again, thank you for holding a hearing today. I ask for your support on Assembly Bill 553 and I would be more than happy to answer any questions.

Assembly Bill 553

Dr. Kristine Gilmore, Superintendent, D.C. Everest Area School District

12/19/19

Good morning Chairman Thiesfeldt and Education Committee Members.

Thank you for taking the time to listen to my testimony regarding Assembly Bill 553.

I am Kristine Gilmore, the proud Superintendent of the D.C. Everest School District for the past 17 years. The D.C. Everest School District serves approximately 6,000 students from 12 municipalities surrounding the Wausau area. Just like so many districts across the state, our schools are the pride of the community. We have 14 facilities open most days from 6 a.m.-10 p.m. Servicing our students during the day and our residents through a robust community education program in the evenings.

D.C. Everest is rather young, becoming a District in 1953, and it grew rapidly through the past 50 years. Because of this timeline, many of our schools and their infrastructures have aged at the same time. The District has had three referendums during my time, but all have been to add schools or space for increasing enrollment. Due to limited resources that we prioritized for student learning, over time we found ourselves with inefficient lighting, boilers, windows, roofs, and poor air quality and temperature control.

During the 2017-2018 school year, we brought together a group of 50+ constituents comprised of students, parents, and local business leaders. After touring schools, studying our infrastructure assessment, and financial status, they recommended supporting an energy efficiency proposal along with a separate referendum to deal with space and updating needs. Our School Board believed the energy efficiency exemption was a great way to fix current issues and proactively update our facilities, while generating energy savings with minimal tax impact. Because we believe in transparency to our community, a public meeting was held, along with a 30-day petition period. We also surveyed the community regarding our facilities and infrastructure. We heard overwhelming positive

feedback that people wanted us to take care of the existing schools so they may last into the future.

After hosting 42 public informational meetings on the energy efficiency projects and our referendum – our referendum passed with 71% support. I happily report that last spring we started our energy efficiency projects, as well as the referendum work. These infrastructure projects are often not flashy. However, lighting, reliable temperature and improved air quality greatly impacts students' learning ability. Just ask any of our teachers at our 900-student, 1953 built Junior High without air conditioning. How easy is it to teach on a warm fall or spring day where the room temperature hits the upper 80's? You can imagine how they feel and it smells.

Our locally elected school boards are held accountable to make fiscal decisions based not only on the school district's needs, but also on the ability to balance the cost to the local taxpayer. For example, if the energy efficiency bill is reinstated, a district could implement an LED lighting project during a year with a projected mill rate decrease, witness an energy savings from those lighting units, use that savings to pay down debt, and provide students with a better learning environment. This bill also clearly defines the rules and regulations to ensure that the process is transparent and uniform, while including districts' taxpayers' voice. And finally, allows school boards local control to wisely manage maintenance and infrastructure decisions around sound fiscal practice.

Today I am here asking you to support Assembly Bill 553 and reinstate the energy efficiency program to ensure that large and small, urban, suburban, and rural school districts have the financial capability to proactively take care of maintenance and facility needs, rather than waiting for larger, more expensive building projects in the future.

Thank you for listening to my thoughts and experiences. I'd be happy to answer any questions.



School Administrators Alliance

Representing the Interests of Wisconsin School Children

TO: Assembly Committee on Education
FROM: John Forester, Executive Director
DATE: December 19, 2019
RE: AB 553 – School District Revenue Limit Adjustment for Energy Efficiency Projects

The School Administrators Alliance (SAA) supports Assembly Bill 553, relating to the school district revenue limit adjustment for energy efficiency projects. We greatly appreciate this opportunity to share the following thoughts regarding the bill.

The SAA believes AB 553, if passed, will allow school districts to undertake deferred projects to reduce energy consumption, upgrade critical energy systems and improve the learning environment for students. We also believe that the contracting, performance and accountability requirements currently in statute and administrative rule, along with the new requirements in this bill, provide significant transparency for district taxpayers to judge the appropriateness of the energy efficiency expenditures. AB 553 is also likely to reduce the need for referendums in some districts.

In anticipation of this hearing, I sought input from a broad cross-section of SAA members. I'd like to focus my testimony on the comments I received from four school districts.

School District of Janesville

The School District of Janesville has 19 facilities. The buildings range in age from 21-140 years old. Of these 19 buildings, 16 range in age from 49-91 years old. All buildings were constructed to have more than 100-year life expectancies. All buildings can be expected to serve the next generation of students if they are properly maintained. The district has historically spent \$2-3 million annually to maintain facilities.

In the spring of 2017, a consultant conducted a comprehensive assessment of district facilities to detail maintenance needs of district buildings. Currently, recommended maintenance work still in need of completion, along with the consultant's priority classification, includes:

- Danger – None
- Alarm – \$27.4 million
- Alert – \$50.4 million
- Caution – \$41.3 million
- Acceptable – \$1.2 million

In the summer of 2018, the energy efficiency exemption was used for a \$13.5 million project, largely to perform comprehensive energy updates at Edison Middle School, along with less comprehensive updates at several other buildings. During the 2018-19 school year, electricity usage fell by 26% at Edison Middle School and natural gas usage dropped by 14% compared to the prior year, while the learning and teaching environment for students and staff was dramatically improved with better lighting and more comfortable room temperatures.

The School District of Janesville has per pupil spending below the state average and was locked in as a low revenue district when revenue limits went into place in 1993. The district is also a declining enrollment district. Therefore, even with recent state funding increases, the district continues to have decreasing revenue authority annually. Unfortunately, this results in high-level unmet needs being pitted against each other (i.e., instructional materials vs. building maintenance) in the annual budget decision-making process.

The district believes the passage of AB 553 would provide an effective solution to maintaining their buildings as much of the work yet to be completed are energy efficiency projects, such as replacing old windows, old lighting, old water heaters, old boilers, etc.

Oak Creek-Franklin School District

Oak Creek High School, a school of about 2,100 students, operates from 6:00am to 10:00pm, six days a week. That is 96 hours a week. District middle schools are not far behind that level of usage; and the elementary schools are not too far behind the middle schools. That means that boilers, air exchangers, water heaters and pumps, variable speed drives, lights and many other energy systems, machines and devices are being run for long periods of time and, of course, are critical to the operation of the learning environment for children.

Unfortunately for Oak Creek-Franklin, and many other districts in the state of Wisconsin, paying for large-cost projects that can reduce district energy usage from the district operating budget is not a feasible option unless the district is willing to push elementary class sizes above 24, middle and high school class sizes above 28, forego curriculum or technology updates, freeze staff compensation, or cut any number of other normal district operating costs.

The ability to utilize a revenue limit exemption to fund large projects allows school districts to focus on the long-term efficiency of district facilities, provide a higher quality learning environment (by improving air quality, lighting, temperature and humidity) and to increase the life of existing buildings through proactive measures.

Clinton Community School District

The Clinton Community School District provides a classic example of how effective the energy efficiency exemption can be for a school district. Two years ago, the district completed an LED lighting project for slightly more than \$600,000. Since then, the district has witnessed a 66% savings from those lighting units. The district has been fiscally responsible over the years. They no longer carry any debt. Two of the district's three buildings were built in the 1950s and have serious deficiencies, while the 20-year-old high school has the typical capital maintenance needs of a twenty-year-old building.

This past April, district voters rejected a \$42 million bond referendum for one new school and critical capital maintenance needs for the high school. The ability to utilize a revenue cap exemption for needed energy upgrades will improve the district's energy efficiency, the learning and teaching environment for students and staff and will reduce the amount needed for a future referendum attempt.

Green Bay Area Public Schools

The school district has used the revenue limit adjustment for energy efficiency projects several times in the past to replace inefficient and outdated heating and air conditioning equipment, windows in poor condition and poor lighting. These projects could not be completed within the regular operating budget. These projects not only reduced energy usage significantly, they also improved the learning environment in schools by providing better heating and cooling comfort and improved lighting. GBAPS has 40 buildings. There is still a large amount of HVAC equipment, windows and lighting that need upgrading. It simply cannot be accomplished within the existing operating budget. Much of this equipment is long past its designed life.

Thank you for your consideration of our views. If you should have any questions on our thoughts on AB 553, please call me at 608-242-1370.



WISCONSIN
ASSOCIATION OF
SCHOOL BOARDS

122 W. WASHINGTON AVENUE, MADISON, WI 53703
PHONE: 608-257-2622 • TOLL-FREE: 877-705-4422
FAX: 608-257-8386 • WEBSITE: WWW.WASB.ORG

JOHN H. ASHLEY, EXECUTIVE DIRECTOR

TO: Members, Assembly Committee on Education
FROM: Dan Rossmiller, WASB Government Relations Director
DATE: December 19, 2019
RE: SUPPORT for ASSEMBLY BILL 553, relating to the school district revenue limit adjustment for energy efficiency projects.

Thank you for the opportunity to testify in support of Assembly Bill 553, which effectively reinstates a revenue limit adjustment for energy efficiency/energy conservation projects that was available to school districts from the 2009-10 school year until January 1, 2018. Thank you also to Representative Wittke for authoring Assembly Bill 553 and to the other members of the committee who are co-authors.

Under revenue limits, the amount of revenue a district can raise from general school aids, computer aid, and property taxes is restricted.

Each school district has its own unique per pupil revenue limit, which is based largely on its per pupil spending patterns in the 1992-93 school year and changes in district enrollment since that time.

Because energy costs are included in spending subject to revenue limits, as energy costs rise, school districts have less money available to spend on other things, such as instruction.

The Wisconsin Association of School Boards (WASB) and its 421 member school boards have long been concerned about the impact of energy costs on school budgets, and in particular, how under revenue limits rising energy costs can erode, or take away from, the resources available to support children in classrooms.

That is why, as early as 1998, WASB member school boards adopted a permanent resolution in support of exempting from revenue limits the expenses for energy savings audits as a way to help schools look for and find ways to reduce energy consumption. Nearly a decade later, in 2007, WASB member school boards adopted a permanent resolution in support of creating a revenue limit adjustment for the costs for energy conservation efforts, including those which involve capital maintenance.

School boards were heartened when the Legislature responded to our resolution and permitted additional spending on energy efficiency projects that directly result in reducing future energy costs for schools. Often, energy conserving projects not only save money in the long run, but also improve the learning environment for students through better lighting, and better, more even temperature regulation in classrooms, to name just two ways.

The 2009-11 state budget (2009 Act 28) created a nonrecurring adjustment for energy efficiency measures, beginning in the 2009-10 school year. Under this adjustment, a school district's revenue limit was increased by the amount spent by the district in that school year on energy efficiency measures and renewable energy products that result in avoidance of, or reduction in, energy costs. A school board was required to adopt a resolution to use this adjustment. That adjustment, however, was foreclosed by the 2017-19 state budget act.

The bill before you today would restore the availability of this valuable tool for schools. Importantly, the bill also improves the process for approving energy efficiency projects by adding several protections for taxpayers that were not previously included in the law, leading to concerns that gave rise to the veto I spoke of. For example, under the bill:

- A qualifying project must result in energy or operational cost savings and must be governed by an energy savings performance contract. (A qualifying project is a project to purchase or implement energy conservation measures. The bill incorporates the definition of “energy conservation measure” that applies to an energy savings performance contract.)
- Any debt issued to finance the project may not be for a term that is longer than 20 years, or 80 percent of the useful life of the energy conservation measures, or 80 percent of the useful life of the facility at which the project is implemented, whichever is shorter. (Current law limits the term of the debt to 20 years.)
- In order to utilize the revenue limit adjustment, a school board must adopt a resolution that includes a statement that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit adjustment.
- A school board must hold a public hearing on the resolution at least 30 days before voting on the resolution and must provide public notice of the public hearing at least 10 days before the public hearing. The bill includes a list of specific items that must be in the agenda for the public hearing.
- A school board that passes a resolution to submit a report to the DPI that includes: a) the board vote on the resolution, b) the information required to be in the public hearing agenda, c) information about projected savings, and d) a statement signed by the school board president and the school district administrator stating that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit adjustment. Under the bill, DPI must post the information in these reports on its website.
- Requires that if the school district issues debt to finance the project, the *operational cost* savings must be used to retire the debt. (Current law only requires that *utility cost* savings be used to retire the debt.)
- The bill requests the Legislative Audit Bureau to audit how school boards use the energy efficiency revenue limit adjustment during the two school years following the date on which the bill becomes law.

Assembly Bill 553 thus provides taxpayers greater assurances and protections that were missing in the prior law and will once again allow school districts to make expenditures on energy efficiency projects that will generate demonstrable energy cost savings. This will help to ensure that taxpayers dollars generated under the revenue limits are ultimately spent on classroom instruction rather than on energy costs.

We encourage your support for Assembly Bill 553.

Good morning Chairman Thiesfeldt and Committee members. My name is Joe Leschisin and I am currently the District Administrator for the Cameron School District. I started in Cameron 20 years ago and served as the High School Principal for 13 years and am now in my 7th year as the District Administrator. Cameron is a small district approximately 45 minutes north of Eau Claire and serves approximately 1150 students. Unlike many rural districts, Cameron has shown a growth in enrollment of 30% over the past fifteen years. The Cameron Community is proud of the fact that nearly 25% of our students come to us via open-enrollment, we have an excellent reputation in working with our children and families, and arguably have one of the best staff retention rates in the state.

Cameron can also boast of some of the nicest and best maintained facilities in our area, but we've had to make it all work through extreme fiscal conservatism as our District has been among the lowest in the state in the allowable per pupil revenue on the State's Revenue Limit Formula. Cameron has been frugal in its spending for many years and did so by choice prior to Revenue Limits going in place. Since that time, our District has had no other choice in terms of our spending. Simply put, we have had to work with less as compared to many other districts across the state.

Our District was very fortunate in 2013 to pass a \$23.5 million building referendum. Most of the cost of this was to replace our former elementary school. It's worth noting that the main portion of this elementary school was built in 1906 and was used for classrooms all the way through the 2014-15 school year. While our District was able to attend to many facility needs through this referendum, we were not able to attend to them all. We left our high school that was built in 1979 with a rather antiquated HVAC system, subpar windows and doors and a 20-year-old middle school with lingering roof needs.

With the continued decline in our local taxes as well as the continued facility and maintenance needs, our school board opted to utilize the Energy Exemption process. As a result, we were able to attend to our some of our HVAC needs, we have converted our District to nearly 100% LED lighting systems, and we were able to make updates to some of our plumbing fixtures. Our projects were all discussed at open school board meetings over months of time. We had open dialogue with our community members about the needs as well as the Energy Exemption process. Everything was done with clarity to the public and in the best interests of our facilities and school district.

Spending millions of dollars on infrastructure without a method to maintain it annually is fiscally irresponsible. School districts that have no other option than to cut corners on standard maintenance in order to spend money on boilers or school buses eventually find themselves with much greater needs.

Our District is already having discussions about how we might fund a new roof for our middle school as well as potential upgrades to our heating and ventilation for our 40-year-old high school. Packaging every project one can think of into a much larger referendum does not make fiscal sense. Our plan is to fix and upgrade when needed, not when there is a referendum. If we can get five more years out of our middle school roof, we will. However, if we are faced with having to have a referendum now, we would have to consider it now. For a District with a 16% fund balance that relies often on short-term borrowing to make payroll, our options are limited.

I am happy to answer any questions if there are any. Thank you for your time.

Assembly Education Committee
December 19, 2019

**Wisconsin Department of Public Instruction
Statement of Support on Assembly Bill 553**

The Department of Public Instruction (DPI) supports Assembly Bill 553 (AB 553) and appreciates the opportunity to provide information regarding the school district revenue limit adjustment for energy efficiency projects.

Under 2017 Wisconsin Act 59, school districts that passed a resolution to exceed revenue limits for energy efficiency projects before January 1, 2018, continue to have the authority to raise additional authority to pay debt service on the bonds or notes used to finance such projects after the effective date of Act 59. After the January 1, 2018 initial applicability date, however, no school district is able to use this exemption for new projects until December 3018. Thus, future energy efficiency projects have to be funded either within a school district's base budget (revenue limit) or by putting the question to voters under a referendum to exceed the district's revenue limit for operating costs.

Under this bill, prior law would be restored, permitting school boards to adopt a resolution to make use of the revenue limit exemption. The bill does make changes to what is considered an eligible project under the revenue limit exemption and to school district operations in making use of the exemption.

First, the bill requires qualifying projects to apply energy conservation measures to an energy savings performance contract in order to be eligible for the revenue limit exemption. The bill incorporates the definition of "energy conservation measure" that applies to an energy savings performance contract.

The bill also provides that any debt issued to finance the project may not be for a term that is longer than 20 years (as given in current law), 80 percent of the useful life of the energy conservation measure, or 80 percent of the useful life of the facility at which the project is implemented, whichever is shorter. Further, if the school district issued debt to finance the project, the operational cost savings must be used to retire the debt in addition to any utility cost savings as under current law.

The bill requires a school board resolution to utilize the revenue limit exemption to include a statement that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit exemption and to hold a public

hearing on the resolution at least 30 days before voting on the resolution with public notice of the hearing to be provided at least 10 days before the hearing. The bill establishes several requirements to be included in the agenda for the public hearing to consider the resolution, including: 1) a detailed description of the project and the facilities impacted by the project; 2) the projected principle and debt service costs of the energy conservation measures; 3) the projected amount of time for the total energy or operational savings and avoided costs to exceed the costs of the energy conservation measures; 4) the projected useful life of the energy conservation measures and each facility at which those measures will be installed; and 5) the avoided inflationary costs and operational productivity costs attributable to the energy conservation measures.

Finally, a school board that passes a resolution must submit a report to the DPI containing the following information: the board vote on the resolution, the information required on the public hearing agenda, the projected savings incurred as a result of the project, and a statement signed by the school board president and the school district administrator that the school board has considered and made a good faith effort to comply with the legal requirements for the revenue limit exemption.

Use of the energy efficiency revenue limit exemption depends largely on school district decisions. Since inception of the energy efficiency revenue limit exemption, 197 school districts have at some point used the exemption at least once, creating a total of \$399,731,343 in additional revenue authority for energy efficiency projects from fiscal year 2010 to fiscal year 2019.

Under the bill (as under prior law), the revenue limit exemption for energy efficiency measures is for nonrecurring purposes; therefore, the revenue authority generated by the exemption would not be included in the base for determining a school district's base revenues for the following school year. Thus, a school board would be required to adopt a resolution to use the energy efficiency exemption each year in which it would use the exemption.

Thank you for the opportunity to provide this information. If you have any questions, please let us know.