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Wisconsin State Senator
2nd Senate District

Testimony for 2019 Senate Bill 437

Senator Robert Cowles
Senate Committee on Education
October 29, 2019

Thank you, Chairman Olson and Committee Members, for allowing me to speak today on 2019 Senate Bill 437 regarding the revenue limit ceiling for school districts. I appreciate the opportunity to share my testimony on the importance of this legislation to the Second Senate District.

Under current law, increased general per pupil revenue ceiling amounts do not apply to a school district that has had a referendum question which includes operating costs rejected in the past three years. Instead, the per pupil revenue ceiling amount would be frozen in the year that the operating referendum was rejected.

Senate Bill 437 is narrowly tailored to create an exemption to a school's revenue ceiling freeze after an operating referendum was rejected at an election held in the 2018-19 school year if: (1) the operating referendum was for the costs of operating and maintaining a new school building, and; (2) at the same election, the voters rejected a referendum to incur debt for the purpose of constructing the new building.

There is only one school district that has had a referendum fail that meets both of these requirements. The Freedom Area School District held a referendum that failed which requested residents to pay the cost of a new school building with operating expenses contingent on the building being approved. Since the operating expenses were contingent upon the construction of a school and not intended to be an outright levy increase for current operating expenses, I would argue that the school district is put at a disadvantage for focusing on the needs of the future while being cognizant of their taxpayers.

The Freedom Area School District is a low-revenue school district in a rural part of my district. The loss of revenue that has resulted from this particular circumstance has been detrimental to the operation of the district. Senate Bill 437 bypasses this abnormal circumstance to allow the Freedom Area School District to maintain the funding that is necessary for their current operations.

Here today, I have the Superintendent and the Finance Director of the Freedom Area School District to share with you what they have been trying to work through since learning in August that they would be losing \$200,000 each year for the next three years from the state Department of Public Instruction.

They will be able to demonstrate the impact this will have on their district and the uniqueness of this situation.



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Testimony on Senate Bill 437 – the revenue limit ceiling for school districts

Senate Committee on Education

Tuesday, October 29, 2019

Chairman Olsen and esteemed members,

Thank you for taking the time today to consider Senate Bill 437 that I've authored along with my colleague, Senator Cowles.

Over the past several sessions and budgets, the legislature has made great strides in providing targeted resources to our public schools while at the same time, promoting policies that aim to protect taxpayers from undue burden. Today we are here to discuss a scenario in which a well-intended reform has had what we believe to be an unintended effect on one of our school districts.

Currently, should a school district hold an operating referendum that is rejected by the voters, that district is ineligible under statute to receive a low revenue adjustment for the three years following that failed vote. Installed as a safeguard against abuses observed with the state's referenda policy, this provision has largely been regarded as a useful tool in helping to ensure the will of the voters is upheld. However, as you will soon hear from leaders of the Freedom Area School District, we do believe that there has been an unintended consequence that has been uncovered. But first, let me attempt to explain to you how we have arrived at this situation.

On April 2, 2019, the voters in the Freedom school district were presented with two, separate questions. The first, asked voters if the district should move forward with the construction of a new high school. The second question, which was entirely contingent on the passage of the first question, asked if the district should be able to levy new revenues to support a newly constructed high school.

After the ballots had been counted, both questions were ultimately rejected by local taxpayers. Deaf to the fact that the operating question was contingent on the passage of the building question, current state statute now prescribes that the District will be forced to miss out on low revenue adjustments for the next three years.

Acting in a fashion that presented local taxpayers with a prudent solution moving forward, Senator Cowles and myself believe that the situation at hand is not just unique, but that it runs counter to the intent of the law. Working to ensure that operating dollars were only available in the event local residents supported a proposed building project, Freedom acted judiciously and with the taxpayer in mind. Unfortunately, due to the current constraints of the law, they are now faced with a scenario in which they will be missing out on hundreds of thousands in aid payments from the state.

SB 437 aims to remedy this problem in a targeted way. The bill addresses Freedom schools' immediate problem by creating an exception for their specific scenario – a failed operating question held at the same time as a failed building question. In our research, and after consultation with legislative service agencies, we believe this narrowly tailored solution would only affect the district in concern.

Again, Senator Olsen, I appreciate the opportunity to present these remarks to you and your committee. I would be happy to discuss any concerns you may have and hope to gain your support on this important local fix for one of our state's fine school districts.

Senate Committee on Education
October 29, 2019

Wisconsin Department of Public Instruction
Information on 2019 Senate Bill 437

Thank you Chairman Olsen and members of the committee for the opportunity to provide information regarding 2019 Senate Bill 437 (SB 437). My name is Bob Soldner. I am the Assistant State Superintendent for Finance and Management at the Department of Public Instruction (DPI).

This legislation creates an exception to the revenue ceiling freeze. Under SB 347, the revenue ceiling freeze does not apply to an operating referendum that was rejected at an election held in the 2018-19 school year if (a) the operating referendum was for the costs of operating and maintaining a new school building and (b) at the same election, the voters rejected a referendum to incur debt for the purpose of constructing the new school building.

Background

Under current law, the formula for determining a school district's revenue limit does not apply to a school district with per pupil revenue that is less than the revenue ceiling specified in statute. Instead, the school district is allowed to increase its revenue raising authority to the per pupil low-revenue revenue ceiling amount. The per pupil low-revenue ceiling is \$9,700 for the 2019-20 school year and \$10,000 for the 2020-21 school year (and in each school year thereafter unless changed by the legislature).

Further, the general per pupil revenue ceiling amount does not apply to a school district in which, in any of the three preceding school years, a referendum question to exceed the district's revenue limit for operating costs was rejected. For such a school district, the per pupil revenue ceiling amount is the per pupil revenue ceiling amount that applied in the school year in which the operating referendum was rejected (revenue ceiling freeze). The revenue ceiling freeze was created under 2017 Act 141 and enacted on March 12, 2018. It first impacted school districts' revenue limits in the 2018-19 school year.

Analysis

During the 2018-19 school year, only the Freedom Area School District (FASD) met the criteria under the bill (referendum held on April 2, 2019). As a result, the applicable low-revenue ceiling amount for the FASD will be \$9,400 for the 2019-20 school year. All school districts will receive a per-member adjustment of \$175. The FASD will have revenue raising authority for \$9,575 per member for the 2019-20 school year, prior to any other adjustments (e.g., declining enrollment exemption).

If this bill passes and is effective by the time the FASD school board sets the property tax levy for the 2019-20 school year, the district's revenue raising authority would be raised to the current low-revenue ceiling amount of \$9,700, thereby generating an additional \$125 per revenue limit member. The total amount generated would depend on the FASD's current year three-year rolling average revenue limit membership. As of October 24, the three-year rolling average for 2019-20 was 1,621 FTE. Thus, total additional revenue authority resulting from the provisions in the bill could be \$202,625. Because school districts must, by law, set their property tax levies by November 1, and certify the levy to the applicable municipality by November 10, the bill would have to be signed by late October to have an impact on the FASD.

Any additional revenue as a result of this bill would become part of the school district's ongoing base revenues. However, it is ultimately the school board's decision whether or not to levy up to the allowable maximum revenue limit amount. The bill does not change state appropriations or otherwise impact the state's general fund.

Thank you again for the opportunity to provide information on SB 437. I would be happy to answer any questions you may have.



FREEDOM AREA SCHOOL DISTRICT

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Senate Committee on Education
Senate Bill 437
Public Hearing
October 29, 2019

Chairman Olson and Members of the Education Committee:

I am Kevin Kilstofte, District Administrator for the Freedom Area School District (FASD). Thank you for holding this public hearing and giving us a chance to explain why we fully support Senate Bill 437. As you know, Senate Bill 437 is being presented to allow for a change and an exemption to State Statute 121.905(1)(b)2 (ie: 2017 Wisconsin Act 141). The Statute was written such that if a low spending school district failed a referendum to exceed the revenue limit, for any reason, they would not receive a revenue limit increase (to the low level spending limit) for the next three years. We are not here today to question the intent of the statute; we would simply like to explain our unique situation.

In April of 2019 the Freedom Area School District held a referendum with two referendum questions. The first question was to build a new high school on District owned land. The second question was for a referendum to exceed the revenue limit to begin starting in the fiscal year 2021-2022. The questions were written such that the exceed question was only to be in place if the building question passed. Both questions were defeated.

With the current language in the statute, because Freedom failed a referendum to exceed the revenue limit, it would be held to the statutory revenue limit for the year the referendum was held and remain for three years. The Statute did not leave any room for exceptions when the question to exceed was tied to the capital building question. This amendment would allow for an exemption when the question to exceed is directly tied to the capital question.

An exception such as this was passed in 2018 for Districts that were in such a situation during the 2017-2018 fiscal year. Unfortunately, at that time the exception was made only to address the 2017-2018 fiscal year. The Freedom Area School District was one of a handful of school districts granted this particular exception.

At that time, we were unaware that the exception language was only made for that one particular year. In April 2019, after a second failed attempt at a new high school, this language did not become prominent to us. It was not until August 2, 2019, that the District was contacted by the Department of Public Instruction indicating that this statute would be applied to our revenue limit formula for 2019-2020, and remain until 2021-2022. Prior to August 2, 2019, we had been building the District budget based on the \$9,700 low spending limit that is in place for 2019-2020.

Without this amendment, the impact on the Freedom Area School District amounts to over \$900,000 of revenue limit authority over the next three years with approximately \$202,000 of it being during the 2019-2020 fiscal year. This revenue limit authority allows the District to tax the local taxpayers, should our local Board of Education choose to do so, to maintain or improve upon our current programs and initiate new programs for our students. It does not have an impact on the state budget.

Since the inception of revenue limits in 1993, Freedom has always been a low spending and frugal District. We feel we will continue to be a low spending and frugal district. The amendment to this statute will only allow the District to maintain status with the lowest spending Districts in the State of Wisconsin and not to lose any more ground.

Thank you for your consideration to add this exemption to the current law. We would also like to sincerely thank Senator Cowles and Representative Steineke, and their staffs, for truly listening to our concerns and helping us bring this issue to you today.

Respectfully,


Kevin Kilstofte
FASD – District Administrator

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