

SCHOOL FINANCE 101

REVENUE LIMITS . . .

What are revenue limits?

In 1993 Wisconsin Statute 121.90 was enacted placing a limit on the revenue a school district is entitled to receive from general state aid and local property tax levies. This sets a school spending cap or an upper limit on the amount of money a district can raise and spend for its schools. The limit is based upon enrollment changes, the Consumer Price Index, and the prior year controlled revenue or base.

What is the effect of revenue limits on public school budgets?

The process of developing a school district budget starts with prioritizing needs of the district based on educational goals and initiatives. This process takes into account district policies, information from staff and resources, and the district's financing ability. This process has been challenging with the advent of revenue cap legislation. Districts are faced with balancing a "fixed income" highly dependent upon student enrollment with educational costs that continue to rise regardless of student population and increasing expectations. The examples that follow attempt to walk you through some of the calculations of the revenue cap and the impact on school district budgeting.

One of the first steps we do in the budgeting process is to determine our available revenue or levy authority to fund budget needs. Specifically, we struggle with balancing our available "new" revenue with new or increasing expenses. Since levy authority is contingent upon student enrollment, this process starts with a determination of existing student enrollment or membership and a projection for the upcoming year.

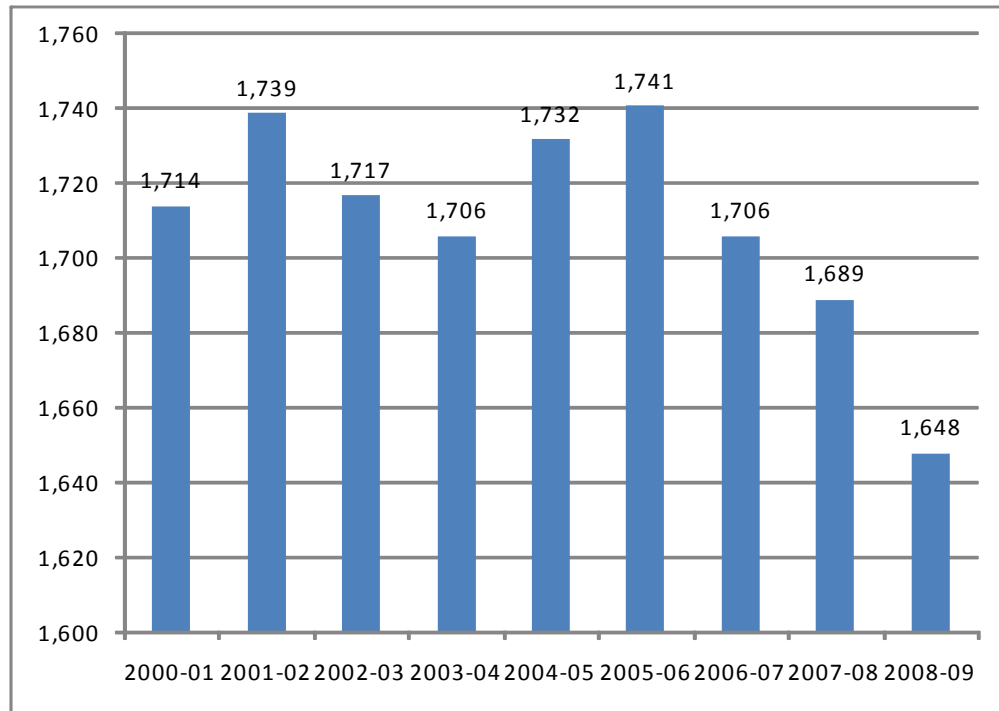
Existing membership is determined by averaging the student membership count at the official September count date for the three most recent years (excluding the year for which the limit is being calculated). New membership is determined by averaging the last two September membership counts plus an estimate of the upcoming September count.

An "allowable per member increase" is calculated for all existing members. This increase is determined by the legislature annually and is supposed to be increased by an inflation index each year. We have estimated a per member increase of \$274.68 for 2009-2010. This means that for all returning students the district can spend the equivalent of \$274.68 more per member than the previous year. This must account for all increasing expenditures, which are directly or indirectly related to instruction.

Based upon the allowable per member increase by the State, the new maximum revenue that is generated for HUHS through the revenue limit formula is approximately 1.4% more than last year's allocation. The percentage is quite low because our enrollment has consistently declined over the past three years, significantly hurting our revenue authority. Since these dollars make up the majority of our resources, our expenditure growth needs to parallel this same pattern to balance the budget.

Though revenues increase at 1.4%, expenditures on the other hand, increase at a rate closer to 4% due to Wisconsin law. This funding flaw creates an immediate structural deficit of almost 2.6% between the revenues and expenses of our school system. To preserve our financial stability as an organization, the planned deficit requires that we make budget reductions to balance out the resources to our appropriations. From a numbers standpoint, the District's estimated deficit breaks down to approximately \$1.2 million dollars over the next two years.

The membership (enrollment) history for the Hartford Union High School District is as follows:



Wisconsin lawmakers are currently looking into a solution to correct the “flaw” of the State’s funding formula, however, until a solution is found there is no doubt that we, like most schools in the State, will find ourselves in a budget reduction mode. Stay tuned to your regional news publications to find out more information on the State’s biennial budget and any corrective measures to ease the challenges for public school systems.

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