

# Revenue Limit Formula

## Revenue Limit Steps

There are four steps in determining a school district's maximum revenue limit.

### Step 1

The revenue base is created by summing the district's General Aid amounts and local levies for General Operations (Fund 10), Capital Projects (Fund 41) and Non-Referendum Debt (Fund 38) from the previous year. The per-member revenue base is computed by dividing the revenue base by a "base" membership average. The "base" membership average is defined as an average of the district's most recent three September FTE membership counts, excluding the current year for which the limit is being calculated. Districts are also allowed to add 40 percent of their FTE summer school membership to the September FTE membership before computing the three year average.

### Step 1 Example

Assume a district received \$3,000,000 in General Aid and levied a total of \$2,850,000 for Funds 10, 41 and 38 in the previous year. This district's revenue base would be \$5,850,000. Then, assuming the base membership average for this district was 650  $((600 + 650 + 700) / 3)$ , the per-member revenue base would be \$9,000  $(\$5,850,000 / 650)$ .

### Step 2

State law provides for every district to add a per-pupil inflationary index at this point to the per-member revenue base from Step 1.

### Step 2 Example

Assuming the inflationary increase was \$250 per member, our sample district's per-member revenue base of \$9,000 would be increased by \$250. The result--\$9,250 per member--is known as the "maximum allowable revenue per member." Since 2015-16, the inflationary increase has been \$0 per member.

An addition provision was added to this step in 1995-96. Recognizing the variation in per-member maximum revenue numbers across the state, the legislature established a "minimum" amount for the result in Step 2. If a district's per-member revenue amount from

Step 2 (after adding the inflationary increase) was less than an established per-member minimum, the district's per-member allowable revenue amount would be increased to the minimum amount.

### **Step 3**

Compute a "current" three-year membership average. This average uses the two previous year's membership plus membership for the current year, the year for which the limit is being calculated. Again, districts are allowed to add 40 percent of their FTE summer school membership to the FTE September membership before computing the three-year average.

#### **Step 3 Example**

Assuming the three years of data are 650, 700, and 675, the "current membership average" computation would be  $((650 + 700 + 675) / 3)$ , a result of 675.

### **Step 4**

Compute the "maximum allowable revenue" by multiplying the maximum allowable revenue per member (\$9,250) by the new three-year average (675), resulting in \$6,243,750 ( $\$9,250 \times 675$ ).

An addition provision was added to this step beginning with the 2007-08 Revenue Limit calculation: If the district's result in Step 4 is less than the district's base number from Step 1, the district could increase the number used in Step 4 to equal that of Step 1. The amount of the increase becomes an extra amount the district can levy just for the current year.

Districts qualifying for this extra amount are those with severely-declining enrollment. Our sample district would not qualify for this extra amount because the amount from Step 4 (\$6,243,750) exceeded that of Step 1 (\$5,850,000).

#### **Step 4 Example**

The total amount of revenue limit authority allowed in the new year for our sample district at up to this point is \$6,243,750.

#### **Potential Additional Increases**

The amount just calculated can further be increased if various factors are occurring within the district. They may include:

- new costs when a district attaches property from another district;
- costs of new service responsibilities assumed from another governmental unit;
- loss of Federal Impact Aid funds;
- referenda-approved increases in the revenue limit for operating expenses;

- increases allowed for declining enrollment;
- increases for implementing energy efficiency measures;
- Wisconsin Parental Choice or Racine Parental Choice voucher exemptions;
- Special Needs Scholarship Program voucher exemptions; and
- increases allowed to reflect resident pupils who attended a non-resident district under Open Enrollment in the prior year and should have been included in the resident district's prior year pupil count but were not counted.

### **DPI Exemption Approval**

Any of these additional amounts (referred to as "exemptions") need to be approved by the Department of Public Instruction (DPI). Exemptions are classified as recurring or non-recurring. Recurring exemptions, if not levied for in the current year, may be levied in a subsequent year, whereas non-recurring exemptions must be levied for in the year for which they apply.

The final revenue limit maximum (with exemptions) is reduced by the October 15 Aid Certification (provided by DPI), High Poverty Aid (provided by DPI), and State Aid for Exempt Computers (provided by the Department of Revenue), to arrive at the district's total maximum amount to be collected through controlled local levies. The controlled local levies are General Operating (Fund 10), Capital Projects (Fund 41) and Non-Referendum Debt (Fund 38).

### **Non-controlled Levies**

In addition to the levies controlled by the limit, districts may also have "non-controlled" levies including:

- Referendum-Approved Debt (Fund 39);
- Community Service (Fund 80); and
- prior-year levy chargebacks.

Both types of levies are summed to arrive at the all-fund tax levy which is then apportioned across all taxable property in the school district.

### **Final Note Regarding Revenue Limit**

Districts are not required to levy the total amount allowable in their revenue limit each year--they may choose to underlevy. Depending on the types of exemptions a district has and the amount of the underlevy, the district may or may not be able to use the underlevy in the next

year. Please call an SFS finance consultant (<https://dpi.wi.gov/sfs/communications/staff-directory>) for assistance in determining what underlevy can be carried over into the next year.