

FREQUENTLY ASKED QUESTIONS

SCHOOL FINANCE

What are revenue limits?

A revenue limit is a spending cap or a limit on the amount of money that a district can raise and spend for its schools. This limit is based on each district's enrollment, the Consumer Price Index, and the controlled revenue from the prior year. These limits were set beginning in 1993 when 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.

What does membership represent for school districts?

Wisconsin public school districts are required to take resident pupil counts twice per year and report them to the Department of Public Instruction. A *3rd Friday in September* and a *2nd Friday in January* count is taken each year. Both count dates play an important role determining the amount of state aid allocated for each school district. Specifically, the September count date is used in combination with prior year's pupil counts to determine the maximum amount of revenue that a school system can generate through the revenue limit formula.

What is equalization aid?

Equalization aid is the largest funding source that is paid to Wisconsin public school systems for annual operating costs. Wisconsin has distributed general aid to public school districts through a tax-based equalization formula since the mid 1970's. This equalization formula is a cost-sharing formula, meaning the state and the local district each contributes a portion to fund the total cost. The local district's percentage is determined by property values. The more property value per district, the less aid that district will receive.

ELECTRONIC RESOURCE

Wisconsin Department of Public Instruction (2010). *SFS Learning Center*. Retrieved September 2, 2010, from the World Wide Web: <http://dpi.wi.gov/sprntdnt/index.html>

Why are equalized property values used by the State?

Property value is the dollar-value placed on land and buildings for the purposes of administering property taxes. The two commonly used methods of placing a value on property in Wisconsin are “assessed” and “equalized.”

- **Assessed Valuation:** Property value determined by the local municipal assessor on January 1 in any given year.
- **Equalized Valuation:** The Department of Revenue applies an adjustment factor to the assessed value. The adjustment factor incorporates actual property sales from within the municipality during the recent year and is meant to ensure that each type of property has comparable value, regardless of local assessment practices. Equalization Valuation is otherwise known as “Fair Market Value.” Fair market value can be further defined as the value that would be agreed upon between a willing buyer and a willing seller in an "arm's length" transaction where neither is required to act.

What is the Definition of Taxes?

Taxes are enforced fees charged by a governmental unit for the purpose of financing services performed for the common benefit. Property taxes are a main source of income for the district and allowable by state law.

What is the full-time inter-district public school open enrollment program?

This program allows parents to apply for their children to attend school in a school district other than the one in which they reside. [Wis. Stats. § 118.51]

Who may participate in public school open enrollment?

Any student in kindergarten through 12th grade may apply to attend school in any public school district in the state. Students may apply for 4-year-old kindergarten, prekindergarten, early childhood education and school-operated day care *only if* the student’s resident school district offers the same type of program and *only if* the student is eligible for that program in her or his resident school district. [Wis. Stats. § 118.51 (2)]

ELECTRONIC RESOURCE

Wisconsin Department of Public Instruction (2010). *SFS Learning Center*. Retrieved September 2, 2010, from the World Wide Web: <http://dpi.wi.gov/sprntdnt/index.html>

Doesn't the district have cash reserves for certain purposes?

Yes, the district has cash reserves called Fund Balance. Fund balance is used for cash flow purposes throughout the year and is also used as a barometer by outside firms as a measurement of financial stability/creditworthiness. Annually, the district attempts to budget money to maintain its fund balance.

My school tax bill dropped dramatically over last year. Why such the big drop when the district may have been able to utilize additional funds?

The short answer to the question is that the revenue limit, which consists of both state equalization aid and the tax levy, is specifically set by state law; not the District. The "limit" is tied to the previous year's revenue per member, an annual per student adjustment factor, and student resident membership counts. If the annual equalization aid distribution from the State increases or decreases, the maximum allowable tax levy makes up the difference to meet the *revenue limit total*. Many factors can force the state equalization aid amount to increase or decrease over the prior year.

ELECTRONIC RESOURCE

Wisconsin Department of Public Instruction (2010). *SFS Learning Center*. Retrieved September 2, 2010, from the World Wide Web: <http://dpi.wi.gov/sprntdnt/index.html>