

Recurring versus Non-Recurring Referendums

I have heard the comment that a recurring referendum is like providing an “open checkbook” to the district. That statement is a definite misunderstanding of how school finance works. This article is an attempt to provide some clarification on how an operating referendums works, specifically the difference between a recurring and a non-recurring referendum and the impact it has on the district’s revenue limit. It is a bit technical, but please read the complete article so that you can make an informed decision on the district’s proposed recurring referendum.

To understand the need for additional funding, it is important to understand “revenue limits”. Revenue limits imposed by the state determine the maximum amount a district can obtain in revenue from local and state sources (taxes).

Revenue limit = (Base amount of revenue per student x number of students). Currently, without a referendum, our district’s base revenue amount per student is \$9,200. This school year (2017-2018) we have 377 full time equivalent students as determined by the 3-year average number of students for revenue limit purposes.

If we assume 377 students, the revenue limit would be \$3,468,400. ($\$9,200 \times 377 = \$3,468,400$)

Non-recurring

A non-recurring referendum allows the district to exceed that revenue limit amount each year for a specified number of years. Using the referendum’s proposed full amount with a non-recurring option, \$400,000 would be added to \$3,468,400 for a total revenue limit of \$3,868,400. The important thing to realize with a non-recurring referendum is that the additional revenue is added to the standard revenue limit **after the calculation (base amount x students) is completed.**

Recurring

A recurring option is calculated differently. The \$400,000 is essentially divided by the number of students ($\$400,000$ divided by $377 = \$1,061$) and then that amount is added to the previous base amount per student ($\$9,200 + \$1,061 = \$10,261$). **A recurring referendum essentially adjusts the base amount per student.**

Comparison

Year 1 if full amount used	Non-Recurring	Recurring
Base revenue per student	\$9,200	\$10,261
Students	377	377
Revenue limit	\$3,468,400	\$3,868,397
Plus Non-Recurring	\$400,000	-----
Total Revenue Limit	\$3,868,400	\$3,868,397
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Revenue per student	\$10,261	\$10,261

In Year 1, both scenarios result in the same revenue per student (\$10,261). It is in Year 2 and beyond, however, when the calculation makes a difference. Let’s assume two different scenarios for comparison purposes. First, we will assume our enrollment declines. Some people say they do not like “recurring” referendums because if enrollment declines dramatically, they do not think the district should be able to levy the additional \$400,000 each year after that. They say that the levied amount should go down. The Shullsburg School Board agrees. With a recurring referendum option, declining enrollment causes the overall revenue limit amount to decrease, protecting the taxpayer.

Example of adjustment for declining enrollment:

Year 2 if full amount used	Non-Recurring	Recurring
Base revenue per student	\$9,200	\$10,261
Students	350	350
Revenue limit	\$3,220,000	\$3,591,350
Plus Non-Recurring	\$400,000	-----
Total Revenue Limit	\$3,620,000	\$3,591,350
Difference	-----	-\$28,650
Revenue Limit per student	\$10,342.86	\$10,261.00

The number of students decreased by 27 but revenue per student in the **non-recurring option went up**. With the recurring option, the revenue limit per pupil stayed the same. **The recurring option saved taxpayers \$28,650 in this scenario.**

Example of adjustment for increasing enrollment:

Year 2 if full amount used	Non-Recurring	Recurring
Base revenue per student	\$9,200	\$10,261
Students	404	404
Revenue limit	\$3,716,800	\$4,145,444
Plus Non-Recurring	\$400,000	-----
Total Revenue Limit	\$4,116,800	\$4,145,444
Difference	-----	+\$28,644
Revenue Limit per student	\$10,190	\$10,261

In this scenario the district received more money in the recurring option by \$28,644 because the number of students went up. The amount per student stayed the same at \$10,261 under the recurring option. If the district were to go with a non-recurring option, the district would receive less per student and would most likely be forced to go to referendum again to ask for more money to educate the additional students.

Summary

Several of our neighboring districts operated under non-recurring referendums for the last 12 – 15 years. Typically, a non-recurring referendum ends every 3 years and a new one is voted on. The Shullsburg School Board decided to propose a recurring referendum due to the expected need for ongoing costs. Non-recurring referendums are for non-recurring costs. Recurring referendums are for costs that continue to be needed in the budget as long-term planning and projects dictate.

The intent and purpose of revenue limits is to adjust revenue as enrollment changes and to provide a cap on how much can be taxed. The amount per student does not change under a recurring option. **It protects the taxpayer when enrollment declines and it protects the school district when enrollment increases.** A recurring referendum avoids having to go to the taxpayers every few years and ask for additional funding, as many districts have been forced to do. For the Shullsburg School District, a recurring referendum is a long-term solution to a complex set of rules regarding how schools are funded in Wisconsin.

SHULLSBURG SCHOOL DISTRICT REFERENDUM

Please vote on April 3rd.