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January 9, 2023

TO: Senator LaTonya Johnson
Room 106 South, State Capitol

FROM: Russ Kava, Fiscal Analyst

SUBJECT: Revenue Limit Per Pupil Adjustment Indexed to Inflation

At your request, I am providing information on the revenue limit per pupil adjustment and the prior law provision indexing the adjustment to inflation.

Under revenue limits, the amount of revenue a school district can raise from general school aids, property taxes, and exempt property aid is restricted. A district's base revenue in a given year is equal to the restricted revenues received in the prior school year. Base revenue is divided by the average of the district's enrollments in the prior three years to determine its base revenue per pupil. In 2022-23, no per pupil adjustment is made to each district's base revenue per pupil to determine its current year revenue per pupil. Current year revenue per pupil is then multiplied by the average of the district's enrollments in the current and prior two years to determine the district's initial revenue limit. There are several adjustments that are made to the initial revenue limit, such as the declining enrollment adjustment and the low revenue adjustment. A district can also exceed its revenue limit by receiving voter approval at a referendum.

From 1998-99 to 2008-09, the revenue limit per pupil adjustment was indexed for inflation each year. The inflation increase was the percentage change, if not negative, in the consumer price index for all urban consumers between the preceding March and second-preceding March. Under the 2009-11 budget act, the inflation adjustment was deleted. Per pupil adjustments under revenue limits were then specified by law in biennial budget acts.

You asked what the revenue limit per pupil adjustment would have been in each year had the prior law indexing mechanism been in place since its repeal, and how that amount compares to the actual annual combined resource change provided from the revenue limit per pupil adjustment and the change in the per pupil aid payment relative to the prior year. That information is shown in the table below.

Revenue Limit Per Pupil Adjustment Under Prior Inflation Indexing Compared to Actual Resource Change

	Per Pupil Adjustment Under Prior Indexing	Actual Combined Resource Change	Difference
2008-09	$274.68	$274.68	$0.00
2009-10	274.68	200.00	-74.68
2010-11	281.00	200.00	-81.00
2011-12	288.59	-554.00*	-842.59
2012-13	296.38	100.00	-196.38
2013-14	300.83	100.00	-200.83
2014-15	305.34	150.00	-155.34
2015-16	305.34	0.00	-305.34
2016-17	308.09	100.00	-208.09
2017-18	315.48	200.00	-115.48
2018-19	323.05	204.00	-119.05
2019-20	329.19	263.00	-66.19
2020-21	334.13	179.00	-155.13
2021-22	342.82	0.00	-342.82
2022-23	371.96	0.00	-371.96

* While the 5.5% per pupil reduction amount varied among districts, the statewide average reduction was $554.

You also asked what the estimated per pupil adjustments would be in 2023-24 and 2024-25 under this scenario. Based on the January, 2023, projections of quarterly inflation by S&P Global, it is estimated that the per pupil adjustments would be $392.79 in 2023-24 and $403.00 in 2024-25.

I hope that this information is helpful. Please contact me if you have questions.

RK/ml