



## Public School Funding Formula Revenue Limit Overview

School district spending is limited by the amount of revenue a district receives. Revenue comes from several different sources; however, the majority received comes from a combination of both state aid and local property taxes determined within the Revenue Limit. The State Revenue Limit Formula controls, or “limits”, the maximum amount that may be received from these two sources.

The Revenue Limit was implemented in 1993. At that time, districts were locked-in at their current per pupil spending levels, also known as the base revenue-per-member. The primary way for the base revenue-per-member to increase is typically dependent on annual increases that are approved by the State Legislature, by adding an allotted per-pupil amount to the base. This allotted increase can be different from year to year, and in some years has not been allotted at all (making it difficult to predict funding for future years). The maximum amount of revenue allowed is then calculated as follows:

$$\text{Revenue-per-Member} \times \text{Current 3-Year Average Membership} = \text{Revenue Limit}$$

Student membership, and the per-pupil legislative increases, are key components to increasing or decreasing revenue within the formula.

Once the total Revenue Limit is known, it is then funded by a combination of both state aid and local property taxes. The portion that is funded by state aid is calculated by the Equalization Aid Formula. Its purpose is to provide an equitable distribution of aid across districts based on property wealth per student (equalized property value divided by membership). Once the state aid portion is known, the tax levy is then determined as follows:

$$\text{Revenue Limit} - \text{State Aid} = \text{Tax Levy}$$

As intended by the formula, there is an inverse relationship between state aid and the tax levy. Districts that are property rich receive less aid which increases their levy, while districts that are property poor receive more aid thereby reducing their levy.

The purpose of the school funding formula is to control the amount a district can levy depending on how much aid a district qualifies to receive from the State through the equalization formula. It limits district spending and provides tax relief to less wealthy communities. A district may levy outside of the revenue limit, but not without voter approval through referendum.