

F

Public Instruction

(LFB Budget Summary Document: Page 461)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
20	Residential Schools -- Maintenance Funding (Paper #650)
26	Minor Policy and Technical Changes -- Residential Schools - Housing Maintenance (Paper #651)
14	Supplies and Services and Unspecified Budget Reductions (Paper #652)
37	Technical Modifications: Restore Statutory References to Department of Public Instruction (Paper #653)
28	High School Graduation Examination (Paper #654)
2,3	State Support for Elementary and Secondary Education (Paper #655)
4	General Equalization Aids -- Procedure for Setting Funding Level (Paper #656)
5	Two-Thirds Rather than 66.7% State Support (Paper #657)
-	School District Revenue Limits -- School Districts with Changes in Pupil Enrollments (Paper #658)
2	School District Revenue Limits - Maximum Allowable Revenue Increase (Paper #659)
2	School District Revenue Limits -- Carryover of Unused Revenue Authority (Paper #660)
11	School District Revenue Limits-- Low Revenue Adjustment (Paper #661)
2	School District Revenue Limits -- Transfer of Service (Paper #662)
2	School District Debt Service Costs (Paper #663)
-	Student Achievement Guarantee in Education (Paper #664)
2	School Tax Levy Credit (Paper #665)
-	Aid for School Districts With Low-Income Students (Paper #666)
7	State Tuition Payments Reestimate (Paper #667)
47	Transfer of Certain School-to-Work Programs to DWD (Paper #668)
46	Transfer of Certain AODA Programs from DPI to DHFS (Paper #669)
32	Charter Schools -- Creation by Other Entities in the MPS District (Paper #670)
33,34&35	Charter Schools -- Statewide Changes (Paper #671)
30&31	Minor Policy and Technical Changes -- Postsecondary Enrollment Options Program (Paper #672)
30	Postsecondary Enrollment Options Program -- UW and Private Colleges (Paper #673)
31	Postsecondary Enrollment Options Program for Pupils Attending Technical Colleges (Paper #674)
-	Reestimate of GPR Revenue from MA Reimbursement for School Based Services (Paper #675)
10	School Library Aids -- Distribution of Income from the Common School Fund (see Paper #792)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Residential Schools -- Maintenance Funding (DPI)

[LFB Summary: Page 470, #20]

CURRENT LAW

Annual base funding allocated to maintenance projects is \$121,500 GPR at the School for the Deaf and \$89,000 GPR at the School for the Visually Handicapped.

GOVERNOR

Provide \$91,200 GPR annually for maintenance at the residential schools. Require the State Superintendent of Public Instruction to submit plans to the Secretary of DOA by October 1, 1997, and by October 1, 1998, specifying how the State Superintendent would allocate: (a) \$74,000 annually to fund maintenance projects at the School for the Deaf; and (b) \$17,200 annually for maintenance projects at the School for the Visually Handicapped. Direct that these amounts of funding would have to be allocated for maintenance projects, but that the funding could not be expended or encumbered until the required annual plan would be approved by the Secretary of DOA.

DISCUSSION POINTS

1. Last year, the Department of Administration directed DPI to allocate additional funding for facility upkeep and repairs at each school. As part of its agency budget submission, DPI requested, and the Governor recommended, \$91,200 GPR annually for maintenance at the residential schools. SB 77, when combined with base funding, would provide annual

maintenance budgets of \$195,500 GPR at the School for the Deaf and \$106,200 GPR at the School for the Visually Handicapped.

2. DPI working with the Division of Facilities Development in DOA developed the request that was approved by the Governor. The \$91,200 GPR annually would be used, in part, to purchase new or updated tools, compressor replacements, HVAC parts, air conditioning repairs and upgrades, chemicals and supplies for lawn maintenance, floor buffers and polishers, fire alarm controls and sensors, tree removal and contractual services.

3. The residential schools Director supports the bill provision that requires DPI to receive DOA approval prior to spending the increased funds. However, it could be argued that if DPI staff require additional assistance in allocating the recommended increases, DOA staff could be contacted for advice without the requirement to submit plans. Using this reasoning, the Committee could delete the requirement that the State Superintendent of Public Instruction submit plans to the Secretary of DOA by October 1, 1997, and by October 1, 1998, specifying how the State Superintendent would allocate the increased maintenance funds.

4. As indicated, DPI currently has base funding allocated for the upkeep and repairs at each school and spends this funding without receiving DOA approval. However, in the past, certain decisions were made to transfer some of this base funding for uses other than maintenance projects. The current Director of the residential schools, who was hired this past year, indicates that the base amounts and recommended SB 77 increases would be used for maintenance projects.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$91,200 GPR annually for maintenance at the residential schools and to require the State Superintendent to submit annual plans to the Secretary of DOA on how this funding would be allocated.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$182,400
[Change to Bill]	\$0]

2. Modify the Governor's recommendation by requiring the State Superintendent to submit the annual plans specifying how to allocate \$195,500 GPR at the School for the Deaf and \$106,200 GPR at the School for the Visually Handicapped. This would require DPI to submit plans for the total annual maintenance budgets for each residential school, instead of just the SB 77 increases.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$182,400
[Change to Bill]	\$0]

3. Modify the Governor's recommendation by deleting the requirement that the State Superintendent of Public Instruction submit plans to the Secretary of DOA by October 1, 1997, and by October 1, 1998, specifying how the State Superintendent would allocate the maintenance funds.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$182,400
[Change to Bill]	\$0]

4. Maintain current law.

<u>Alternative 4</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$182,400]

Prepared by: Bob Soldner

MO# _____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

see motion # 3221

PUBLIC INSTRUCTION

Residential Schools Maintenance Funding

Motion:

Move that the \$182,400 GPR of LFB Paper #650 be placed in the Joint Committee on Finance appropriation for release by the Committee upon approval of a report by the State Superintendent.

MO# 3221

2 JENSEN	X	N	A
OURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A
1 BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS

<p>To: Joint Committee on Finance</p> <p>From: Bob Lang, Director Legislative Fiscal Bureau</p>

ISSUE

**Minor Policy and Technical Changes -- Residential Schools - Housing Maintenance
(Public Instruction)**

[LFB Summary: Page 472, #26]

GOVERNOR

Reduce funding by \$4,000 PR annually from the 1996-97 base level of \$5,300 PR. This funding is used to maintain a house on the grounds of the School for the Visually Handicapped, which was unoccupied.

MODIFICATION

Adjust the Governor's recommendation by \$5,800 annually, which would represent a change to the adjusted base of \$1,800 annually. As a result, the School for the Visually Handicapped's maintenance budget for the house would be reestimated to \$7,100 annually.

Explanation: The amounts in the bill do not reflect the lease agreement that went into effect on March 1, 1997. The house is currently occupied by the School's Superintendent.

<u>Modification</u>	<u>PR</u>
1997-99 FUNDING (Change to Base)	\$3,600
[Change to Bill	\$11,600]

Prepared by: Bob Soldner

VOTE OVER

PAPER #651

MO# Modification

ZJENSEN	X	N	A
OURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A
BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS _____

To: Joint Committee on Finance
From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Supplies and Services and Unspecified Budget Reductions (DPI)

[LFB Summary: Page 468-69, #14]

CURRENT LAW

The Department of Public Instruction (DPI) has \$11,172,600 GPR of annual base funding for department general program operations, of which \$2,620,600 GPR is allocated for supplies and services. Additionally, the state's residential schools (the Wisconsin School for the Visually Handicapped and the Wisconsin School for the Deaf) have annual base funding of \$9,347,100 GPR, of which \$745,900 GPR is allocated for supplies and services.

GOVERNOR

Reduce the agency's general program operations appropriation by \$491,600 GPR annually. Of the total reduction, delete \$102,000 GPR annually from the agency's general program operations supplies and services base budget. Require that DPI submit a report to the Governor and the Joint Committee on Finance by October 1, 1997, concerning the agency's preference for allocating the remaining \$389,600 annual reduction among the agency's sum certain GPR appropriations.

DISCUSSION POINTS

1. Under 1995 Act 27 (1995-97 state budget), DPI's base operating GPR budget was reduced by a total of \$6,044,700 and 99.22 positions in 1996-97 from the 1994-95 adjusted base. These reductions were accomplished by significant cuts, including: (a) a 29.8% reduction in

funding for DPI's overall general program operations; (b) a 13.4% reduction in funding for residential schools general program operations; (c) a 33% reduction in educational assessment funding; and (d) a 10% reduction in funding for minority group pupil scholarships. Additionally, the position reductions totalled 23.2% of DPI's base GPR positions. Excluding the state's residential schools, DPI's general program operations position authority was reduced by 69.8 GPR positions, or 33.8% in 1996-97, compared to the 1994-95 base.

2. Of the 1996-97 reductions, \$2,238,800 and 43.93 positions were specified by Act 27, and the remaining \$3,805,900 and 55.29 positions were unspecified reductions. DPI was required to report to the Joint Committee on Finance with a recommendation for how these additional reductions should be allocated. The Committee was required to approve or modify DPI's recommendations.

3. The proposed funding reduction in the 1997-99 budget bill is presented in the executive budget book as a budget efficiency measure and as a means to increase efficiency and reduce state government costs overall. Staff from DOA indicate that they believe DPI could achieve efficiencies through taking the full reductions from the agency and residential schools supplies and services budget, but have allowed the State Superintendent to indicate his preference for these reductions. However, it is unclear what efficiencies would remain to be achieved by DPI after budget reductions of the magnitude of those imposed in Act 27.

4. Staff from DPI indicate that while a budget reduction plan for the proposed funding reductions has not been determined, it is estimated that the \$491,600 annual reduction would result in the loss of approximately 7.0 GPR positions. A preliminary allocation of this funding reduction would eliminate one position from each of the four state operations divisions, which are Learning Support Instructional Services; Libraries and Community Learning; Finance and Management; and Learning Support Equity and Advocacy. In addition, three positions would be eliminated at the state's residential schools.

5. Under the bill, DPI would have 31 sum certain GPR appropriations from which it could allocate the proposed reductions under the bill. These appropriations include the following categories:

a. Twenty school aid appropriations, including equalization aids and categorical aids, which would be counted as part of the state's commitment to fund two-thirds of school district costs. In 1996-97, these aid appropriations totalled \$3,530,418,900.

b. Six appropriations would be for aids to individuals and organizations, including aids to public library systems, library service contracts, the youth village program, Very Special Arts, the Special Olympics and minority group pupil scholarships. The 1996-97 funding for these appropriations totalled \$13,919,300.

c. Five appropriations would be for funding state agency operations and programs, including general program operations for both the Department and the state residential schools, energy costs, and the educational and pupil assessment program. The 1996-97 funding for these appropriations totalled \$22,734,300.

6. In the budget reductions instructions submitted to agencies in October, 1996, that required agencies to submit plans to reduce their budgets by 3.5%, DOA indicated that local assistance aids should not be included in agency reduction plans. Therefore, staff from DOA indicate that this proposed reduction should not include local school aids.

7. In their 3.5% reduction plan submitted to DOA in November, 1996, DPI indicated that it would take reductions from the supplies and services budget of all four divisions, the state's residential schools, the State Superintendent's office and pupil assessment programs, and aids to individuals and organizations under the Special Olympics, Very Special Arts, minority pupil scholarships, Youth Village and library service contracts.

8. Although DPI has indicated that it would not request to take the proposed funding reductions from any of the 20 school aid appropriations, it may be desirable to specify that these appropriations would not be subject to the unallocated reductions, due to their part in the two-thirds funding of school districts.

9. The bill would not establish a formal review mechanism for the Committee to review the proposed report by DPI concerning the allocation of the unspecified portion of the agency funding reduction. On similar provisions relating to the Arts Board and Historical Society, the Committee voted to require that the report be subject to the approval of the Committee under a 14-day passive review. The bill could be modified to provide that DPI could identify a proposed allocation of the funding reductions, subject to JFC approval under a passive 14-day review process.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to reduce DPI's base budget by \$491,600 GPR annually.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	- \$983,200
[Change to Bill]	\$0]

2. Modify the Governor's recommendation by: (a) specifying that no reduction could be made from the 20 appropriations for school aids; and (b) providing that DPI would have to

identify a proposed allocation of the funding reductions, subject to JFC approval under a passive 14-day review process.

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	- \$983,200
[Change to Bill	\$0]

3. Maintain current law.

<u>Alternative 3</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill	\$983,200]

Prepared by: Ruth Hardy

MO# Alt #2

2 JENSEN	Y	N	A
1 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

Withdrawn
see # Motion 3240

AYE _____ NO _____ ABS _____

PUBLIC INSTRUCTION

Motion:

Move to reduce DPI's base budget by \$245,800 GPR annually.

Note:

This motion would restore 50% of the funding reduction to DPI that is proposed in SB 77.

[Change to Base: -\$491,600 GPR]

[Change to Bill: \$491,600 GPR]

MO# 3240

JENSEN	X	N	A
OURADA	X	N	A
2 HARSDORF	X	N	A
ALBERS	Y	X	A
GARD	X	N	A
1 KAUFERT	X	N	A
LINTON	Y	X	A
COGGS	Y	X	A

BURKE	Y	X	A
DECKER	Y	X	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 11 NO 5 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Technical Modifications: Restore Statutory References to Department of Public Instruction (DPI)

[LFB Summary: Page 487, #37]

GOVERNOR

Restore the statutory references to Department of Public Instruction (DPI) and the powers of the State Superintendent of Public Instruction. Delete references to the Department of Education (DOE), the Secretary of Education and a separate Office of State Superintendent outside of DOE.

MODIFICATION TO BASE

Modify SB 77 to include correct statutory references to accomplish the intent of the bill.

Explanation: The bill inadvertently does not affect all of the statutory sections that require modifications.

Prepared by: Ruth Hardy

MO#	<u>Modification to Base</u>							
JENSEN	X	N	A	BURKE	X	N	A	
LOURADA	X	N	A	DECKER	X	N	A	
HARSDORF	X	N	A	GEORGE	X	N	A	
ALBERS	X	N	A	JAUCH	X	N	A	
GARD	X	N	A	WINEKE	X	N	A	
KAUFERT	X	N	A	SHIBILSKI	X	N	A	
LINTON	X	N	A	COWLES	X	N	A	
COGGS	X	N	A	PANZER	X	N	A	
				AYE	16	NO	0	ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

High School Graduation Examination (DPI)

[LFB Summary: Page 473, #28]

CURRENT LAW

Under current law, all school districts are required to administer four standardized examinations, including the Wisconsin reading comprehension test (WRCT) in third grade, and the fourth-, eighth- and tenth-grade knowledge and concepts examinations. The WRCT is an objective-referenced (scored in comparison to a minimum standard) test developed by the Department of Public Instruction (DPI) which is given to third grade pupils in the Spring of each year in order to: (a) identify marginal readers who may need remediation; (b) provide comparative performance data by school and school district; and (c) allow school districts to evaluate their reading programs.

The WRCT is comprised of four types of questions based on four narrative or expository writing passages: (a) prior knowledge; (b) reading strategies; (c) multiple choice; and (d) short answer questions included on a pilot basis. The exam, which includes 105 to 110 questions, is taken over four testing sessions within three weeks. Test scores for the reading comprehension questions are placed into three performance categories: partially proficient, proficient and advanced. WRCT exam questions are developed by Wisconsin teachers in conjunction with Metritech, the contractor for WRCT development.

Each school district in the state is required to administer the fourth-, eighth- and tenth-grade knowledge and concepts examinations, which are designed to evaluate the level of knowledge attained by pupils in the areas of mathematics, science, social studies, reading and language arts. The exams consist of multiple choice, short answer and essay questions; in addition, each test contains a non-academic section consisting of questions related to the pupil's

career interests, intended to aid in pupil guidance counseling and course selection. The tests require approximately six hours to complete and are generally administered over a three-day period.

The knowledge and concepts exams are not specifically linked to the curriculum and pupil performance is not measured against a minimum standard. In order to facilitate comparisons between schools and districts, DPI has designed a grand composite score which is equal to the sum of the total scores on each portion of the test. The Department currently administers the exams through a three-year contract with CTB/McGraw-Hill.

The knowledge and concepts exams are required, to the extent possible, to be free from bias. School boards can decide not to examine limited English-speaking (LES) and exceptional educational needs (EEN) pupils, or can modify the format to administer the tests to these pupils. In addition, any 4th, 8th or 10th grade pupil may be excused from taking the tests upon request of the pupil's parent or guardian.

GOVERNOR

Specify that if the Governor issues pupil academic standards by executive order, DPI would be required to develop a high school graduation examination designed to measure whether pupils meet the academic standards. Provide \$500,000 GPR in 1997-98 and \$850,000 GPR in 1998-99 for the development of the proposed high school graduation exam. Direct each school district to adopt a high school graduation exam that is designed to measure whether pupils meet the standards adopted by the school board. If a school board adopts the standards issued by the executive order, the school board could adopt the high school graduation exam developed by DPI. A school board would have to notify DPI if it adopts its own graduation exam.

Require each school board that operates a high school to administer the high school graduation test adopted by the board at least twice each school year beginning in the 1999-2000 school year. The school board would be required to determine in which high school grades the exam would be administered each school year. Beginning on September 1, 2001, a school board could not grant a high school diploma to any pupil unless the pupil has passed the high school graduation exam. School boards would have to provide pupils with at least four opportunities in the high school grades to take the exam.

DISCUSSION POINTS

1. By executive order in January, 1997, the Governor created the Governor's Council on Model Academic Standards which consists of the Lieutenant Governor who serves as chair, the State Superintendent of Public Instruction, the chairs and ranking minority members of the Senate and Assembly Education Committees and one public member appointed by the Governor.

The Council has been meeting to develop academic standards for all pupils in English language arts, mathematics, science and social studies at grades 4, 8 and 12. The Council must submit an interim report to the Governor by June 15, 1997, and a final report recommending the standards by September 15, 1997. If the Governor approves of the standards recommended by the Council, he could issue the standards by executive order. School boards could adopt these standards or issue their own standards.

2. Since its inception in January, 1997, the Council has gathered public testimony and is currently working in committees that have been formed dealing with each of the four academic areas. Committee members include school district, higher education, business, community group and state agency representatives. While input into the development of the standards has been broad, it may be desirable to include a provision for legislative oversight over the final standards issued by the Governor. The Committee could require that the standards be reviewed and approved by the Senate and Assembly Education Committees before DPI could develop the high school graduation exam based on the academic standards.

3. DPI indicates that it would not make decisions regarding the development of the high school graduation exam until after the Governor issues the academic standards; however, DPI expects to form several committees to develop the exam, including: (a) graduation test steering; (b) testing policy advisory; (c) bias review; (d) technical advisory; (e) discipline specific content review; (f) general content review; and (g) proficiency standard-setting. DPI believes the committee structure is essential to assure that the program is designed and conducted consistent with the values and beliefs of Wisconsin's citizens, and to guarantee that the program and tests meet the highest level of technical and content quality.

DPI estimates that the test would be approximately five hours long, with multiple choice, short answer and essay questions. The agency would prepare the exam in multiple forms in order to allow pupils to retake it up to four times prior to graduation. Pupils would be required to reach a single passing score in order to successfully complete the exam. DPI believes that by requiring pupils to pass an exam covering the academic standards would motivate parents, pupils and educators to improve the quality of instruction and effort directed toward learning.

4. The major costs of test development in the next biennium include administration and coordination (\$175,000); test content specification development (\$125,000) to determine the portions of the academic standards that would be measured by the high school exam; item specification development (\$125,000) to determine the specific skills to be measured in each content area; item development (\$400,000) to develop the specific questions in each academic area; and field tryouts (\$225,000) to pilot the examination in certain high schools around the state. DPI would develop the graduation exam in coordination with a contractor, through an arrangement parallel to that of the WRCT and knowledge and concepts exams. Given the magnitude of developing a statewide exam based on specific standards, the proposed funding level appears reasonable.

5. Proponents of the Governor's proposal to create and require a high school graduation exam contend that in order for Wisconsin to remain competitive in the 21st century, Wisconsin high school graduates must be able to demonstrate their knowledge and skills based on high standards across core academic subjects. A high school graduation exam would establish that a Wisconsin high school diploma would ensure a high quality graduate that is prepared for higher education, a competitive job market or community service. Further, because the proposal requires high schools to allow pupils to attempt the exam four times, pupils would have several opportunities to improve their performance and pass the exam.

6. Opponents of a high school examination requirement argue that such an exam would be expensive to develop and would provide little specific information about the skills or knowledge of a high school graduate in Wisconsin. They believe that pupils in Wisconsin are already tested more than necessary and that such testing contributes to: (a) inequitable tracking; (b) gender, racial, disability and income bias; (c) teachers that teach to the exam rather than for broad knowledge in a subject area; (d) school hours spent on testing rather than instruction; and (e) unfounded comparisons between the quality of school districts across the state that focus on a narrow measurement of success.

7. Further, opponents contend that such a high-stakes examination may encourage EEN, LES and marginal pupils to drop out of high school, rather than fail an examination and be denied a high school diploma. It would be a great disadvantage to a pupil, to enter the workforce without a high school degree because he or she is unable to pass this exam, even though the pupil may have been diligent in his or her course of study. Opponents to the proposal argue that the decision to award a high school diploma should not be focused on one isolated performance, but rather include a broad array of pupil performance indicators, such as grade point average, general test scores, extracurricular activities and behavioral indicators. In a letter to the Co-Chairs of the Joint Committee on Finance dated April 24, 1997, the Senate Education Committee indicated that the Committee has concerns regarding the exam as a requirement of high school graduation, and has proposed that the high school graduation exam be taken out of SB 77.

8. Recent federal legislation in the Improving America's Schools Act (IASA), requires that states develop statewide pupil academic standards and pupil assessments that are linked to the academic standards. Wisconsin's current assessment program for 3rd, 4th, 8th and 10th grade pupils, as well as the academic standards currently being developed will likely meet most of the federal requirements. However, DPI indicates that the state must make progress in including LES and EEN pupils in assessments, because federal law requires that all pupils, including EEN and LES pupils, be taught the same knowledge and skills and be held to the same high standards. There may be a conflict with the goals of requiring a high school graduation exam and holding EEN and LES pupils to the same high standards as other pupils, while at the same time striving to award these pupils high school degrees.

9. DPI has developed statewide guidelines for including LES and EEN pupils in the current examinations in a manner that encourages high standards and skills for these pupils, while also providing incentives for passing the examinations. These guidelines include methods for providing the exam in alternate formats or under differing circumstances.

10. If the goal of the pupil academic standards and high school graduation exam is to ensure a high level of achievement across the state of Wisconsin and to establish that a high school diploma is a valuable indicator of graduate skills and knowledge, it may be beneficial to require the same high school graduation exam statewide in order to provide a standard measurement of pupil knowledge. Further, this might benefit institutions of higher education and potential employers when comparing high school graduates from varying regions of the state. The Committee may wish to require school districts to adopt the high school examination that would be developed by DPI based on the academic standards issued by the Governor, rather than develop a district-specific examination.

11. Under current law, upon the request of a parent or guardian, a school board can excuse a pupil for completing the 4th, 8th and 10th grade exams. This provision is included for parents who may have medical, personal or religious reasons for not requiring their children to take a standardized examination. The Committee may wish to include this provision for the high school graduation exam as well, and require school boards to establish alternate criteria upon which to determine qualification for high school graduation if a pupil has been excused from the high school graduation exam.

12. Beginning in the 1999-2000 school year, every high school would be required to administer a high school graduation exam. School districts would be required to give pupils four opportunities to take the exam before graduation and would likely administer the exam in the 10th, 11th or 12th grades. DPI indicates that the graduation exam may serve the same purposes that the 10th grade knowledge and concepts exam currently serves. Because the graduation exam would be required for graduation beginning on September 1, 2000, the Committee may wish to consider sunsetting the current 10th grade exam on June 30, 2001.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to establish a high school graduation examination, which would begin to be administered in the 1999-2000 school year. Provide \$500,000 in 1997-98 and \$850,000 in 1998-99 for the development of the proposed exam.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$1,350,000
[Change to Bill]	\$0

2. Modify the Governor's recommendation through one or more of the following:

a. Require that the academic standards that would be issued by the Governor must be reviewed and approved by the Senate and Assembly Education Committees before DPI could develop the high school graduation exam based on these academic standards.

b. Require school districts to adopt the high school graduation examination that would be developed by DPI based on the academic standards issued by the Governor, rather than develop a district-specific examination.

c. Require school boards to excuse a pupil from the high school graduation exam upon the request of a parent or guardian. Specify that school boards must establish alternate criteria upon which to determine qualification for high school graduation if a pupil has been excused from the high school graduation exam.

d. Sunset the current 10th grade exam on June 30, 2001.

Alternative 2	GPR
1997-99 FUNDING (Change to Base)	\$1,350,000
[Change to Bill]	\$0

3. Maintain current law.

Alternative 3	GPR
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$1,350,000

MO# ALP 2, c, d

Prepared by: Ruth Hardy

JENSEN	X	N	A
OURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	Y	N	A
COGGS	Y	X	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	X	N	A
SHIBILSKI	Y	N	A
COWLES	X	N	A
PANZER	X	N	A

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Support for Elementary and Secondary Education (DPI)

[LFB Summary: Page 461, #2 and Page 464, #3]

CURRENT LAW

Under the provisions of 1995 Act 27, state support for elementary and secondary (K-12) education increases from \$3.032 billion in 1995-96 to \$4.035 billion in 1996-97. The purpose of this increase in state funding is to fulfill the commitment established in 1993 Act 437 to raise the state's average share of K-12 revenues to 66.7%, thereby significantly reducing the reliance on local property taxes to fund K-12 education. The two-thirds funding commitment is calculated on a statewide basis; the level of state aid received by an individual district may be higher or lower than 66.7%, depending on the district's per member shared costs and equalized value.

The statutes define both the numerator and denominator of the two-thirds state funding calculation. The numerator is the sum of state school aids, composed of 25 separate general and categorical aid appropriations, and the school levy tax credit. The denominator, which is called "partial revenues," is the sum of state school aids and property taxes levied for school districts.

The 1995-97 budget established a process for annually determining the amount necessary in the general equalization aid appropriation to meet the statutorily defined two-thirds funding level. Each year by June 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general equalization aid appropriation which, in combination with the amounts provided in the other state aid and levy credit appropriations, would achieve the 66.7% funding level in the following school year. Annually, by June 30 the Committee must determine the amount to be appropriated in the following school year. For 1996-97, the Committee met on June 27, 1996, and approved an additional \$30 million over the funding level

contained in the 1995-97 budget, which was the amount estimated in June that was needed to achieve the 66.7% funding goal.

GOVERNOR

Increase the total amount appropriated for general and categorical school aids from \$3,566,051,400 in 1996-97 to \$3,775,209,000 in 1997-98 and \$3,869,443,100 in 1998-99. Compared to the 1996-97 base year, school aids would increase by \$209,157,600 in 1997-98 and \$303,391,700 in 1998-99 (or \$94,234,100 over the 1997-98 recommended level). These proposed funding levels would represent annual increases over the prior year of 5.9% in 1997-98 and 2.5% in 1998-99. These amounts include increases of \$191,945,400 in 1997-98 and \$266,186,000 in 1998-99 for general equalization aids. Total equalization aid funding would increase from \$3,182,215,800 in 1996-97 to \$3,374,161,200 (6.0%) in 1997-98 and \$3,448,401,800 (2.2%) in 1998-99.

Establish the distribution amount for the 1999 school levy property tax credit at \$569,305,000 or \$100,000,000 over the 1997 and 1998 funding level of \$469,305,000. The higher amount would affect property taxes levied in 1998 (payable in 1999), but would be paid by the state in fiscal year 1999-2000.

The administration estimated that the bill would provide two-thirds state funding of partial school revenues in the 1997-99 biennium. The bill would increase state funding from the base amount of \$4,035,356,400 in 1996-97 to \$4,244,514,000 in 1997-98 and \$4,438,748,100 in 1998-99. Compared to the 1996-97 base year, state funding would increase by \$209,157,600 in 1997-98 and \$403,391,700 in 1998-99 (or \$194,234,100 over 1997-98). These funding increases would represent annual increases over the prior year of 5.2% in 1997-98 and 4.6% in 1998-99. A summary of these funding amounts with the administration's estimates of partial school revenues is presented in the table below.

State Support for K-12 Education (\$ in Millions)

	1996-97	1997-98		1998-99	
		Amount	Increase	Amount	Increase
State Funding:					
General Aid	\$3,184.5	\$3,376.5	\$192.0	\$3,450.7	\$74.2
Categorical Aid	381.6	398.7	17.1	418.7	20.0
School Levy Tax Credit	469.3	469.3	0.0	569.3	100.0
Total	\$4,035.4	\$4,244.5	\$209.1	\$4,438.7	\$194.2
Partial School Revenues	\$6,094.1	\$6,366.7	\$242.6	\$6,658.1	\$291.4
State Share	66.22%	66.67%		66.67%	

DISCUSSION POINTS

1. SB 77 would provide \$4,244.5 million in 1997-98 and \$4,438.7 million for 1998-99. Based on current estimates of projected K-12 partial revenues, it is estimated that an additional \$23.1 million in 1997-98 and \$33.3 million in 1998-99 of equalization aids funding would be needed to meet the two-thirds goal, for a total of \$56.4 million in the 1997-99 biennium.
2. Two factors contribute to this higher estimate. First, the amount of per pupil revenues allowed to school districts under state revenue limits is higher than that used in SB 77, which accounts for approximately 60% of the increased cost. Second, the remaining 40% of the additional cost is attributable to higher estimates of the debt levy for school district borrowing.
3. The level of state support for K-12 education, measured as a percentage of partial school revenues, has been almost 50% or more each year during the last four years. Specifically, it has been 48.4% in 1993-94, 51.0% in 1994-95, 52.9% in 1995-96 and estimated to be 66.2% in 1996-97. The Committee could repeal the current law 66.7% funding goal and appropriate, on a sum certain basis, the amounts in SB 77, which would provide an estimated 66.31% in 1997-98 and 66.17% in 1998-99 of partial school revenues.
4. School district revenue limits are defined as a limit on the amount of revenue obtained through the combination of general school aids and the property tax levy. General school aids consist of the following (as they apply to a particular school district): (a) equalization aid; (b) integration (Chapter 220) aid; and (c) special adjustment (hold harmless) aid. In total, these aids represent nearly 90% of the funds provided as state aid to school districts.
5. Under revenue limits, any decrease in the amount of equalization aids could be offset with an increase in the property tax levy. It is anticipated that most school districts would increase the property tax levy to offset any loss of state aids.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$191,945,400 in 1997-98 and \$266,186,000 in 1998-99 compared to the base year for general equalization aids. It is estimated that SB 77 would provide 66.31% in 1997-98 and 66.17% in 1998-99 of partial school revenues.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$458,131,400
[Change to Bill	\$0]

2. Modify the Governor's recommendation by providing an additional \$23,100,000 in 1997-98 and \$33,300,000 in 1998-99 for general equalization aids. It is estimated that this would provide two-thirds of partial school revenues in each year of the biennium.

Alternative 2	GPR
1997-99 FUNDING (Change to Base)	\$514,531,400
[Change to Bill]	\$56,400,000]

3. Maintain the base funding level of \$3,182,215,800 annually, eliminate the current law goal of 66.7% of partial school revenues and provide the funds on an annual sum certain basis. This would represent a reduction of \$191,945,400 in 1997-98 and \$266,186,000 in 1998-99 from the bill. It is estimated that this would provide 63.31% in 1997-98 and 62.20% in 1998-99 of partial school revenues.

Alternative 3	GPR
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$458,131,400]

Prepared by: Bob Soldner

MO# AH#2

JENSEN	X	N	A
ZOURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 14 NO 2 ABS

PUBLIC INSTRUCTION

Eliminate 66.7% Funding Requirement

Motion:

Move to delete current law that establishes a funding goal of 66.7% of partial school revenues and, instead provide equalization funding at the level otherwise approved in an annual sum certain appropriation.

MO# 3241

JENSEN	Y	X	A
OURADA	Y	X	A
HARSDORF	Y	X	A
ALBERS	Y	X	A
GARD	Y	X	A
KAUFERT	Y	X	A
LINTON	Y	X	A
COGGS	Y	X	A

BURKE	Y	X	A
DECKER	Y	X	A
2 GEORGE	X	N	A
JAUCH	Y	X	A
1 WINEKE	X	N	A
SHIBILSKI	Y	X	A
COWLES	Y	X	A
PANZER	Y	X	A

AYE 2 NO 14 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

General Equalization Aids -- Procedure for Setting Funding Level (DPI)

[LFB Summary: Page 464, #4]

CURRENT LAW

Annually, by each June 15, the Department's of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance (JFC) an estimate of the amount necessary in the equalization aid appropriation. This funding amount must be sufficient, when combined with categorical school aid appropriations and the school levy tax credit, to achieve an estimated 66.7% of partial school revenues in the following school year. By June 30 of each year, JFC must approve the amount to appropriate as equalization aid. Partial school revenues are defined as the sum of state school aids, which includes the general and categorical aid programs, and gross property taxes levied for school districts.

The equalization aid appropriation is a sum sufficient appropriation that is set equal to the amount approved by JFC each year.

GOVERNOR

Modify the current equalization aid appropriation from a sum sufficient to an annual sum certain. Delete the current statutory procedure for establishing the funding level for equalization aid. Instead, provide that by February 15, 1999, and biennially thereafter, the Governor would submit an estimate to JFC of the amount needed in the following biennium to ensure that the sum of state school aids and the school levy tax credit equals two-thirds of partial school revenues.

DISCUSSION POINTS

1. On June 14, 1996, the State Superintendent, Secretary of DOA and Director of the Legislative Fiscal Bureau certified to JFC an amount that they estimated would be required to achieve the 66.7% funding goal for 1996-97. Based on information available at that time, the three agencies indicated that \$3,182.2 million GPR needed to be appropriated in the equalization appropriation for 1996-97. That was \$30 million higher than the funding level contained in the 1995-97 budget. On June 27, 1996, JFC approved the certified amount of \$3,182.2 million as the figure to be appropriated as 1996-97 general school aids.

2. At the time of certification in June, 1996, the three agencies estimated that partial revenues for 1996-97 would equal \$6,050 million. Based on the property tax levies as certified by each school district to the Department of Revenue late in 1996, statewide property tax levies for school purposes for 1996-97 are \$44.1 million higher than estimated in June, 1996, and partial revenues for 1996-97 are \$6,094.1 million, or \$44.1 million greater than the projected \$6,050 million. As a result, state support of K-12 partial revenues will be approximately 66.2%, or \$29.4 million less than the amount necessary to achieve the 66.7% goal.

3. Other major GPR funded programs such as shared revenue, medical assistance and the University of Wisconsin are provided a specific level of GPR funding. For these programs, a funding level is established once every two years in the budget process. If subsequent adjustments are needed, funding can be provided in separate legislation. While funding 66.7% of partial school revenues represents a commitment of approximately 39% of the state's total general fund budget for 1996-97, the administration argues that the two-year budget cycle used for most other state programs would be adequate for equalization aids as well.

4. It could be argued that the current estimating process would provide a more accurate and impartial estimate of the state's cost of achieving the 66.7% goal of partial school revenues, compared to the Governor's recommendations. Under current law, three independent agencies jointly certify to JFC, on an annual basis, an estimate of the amount necessary to fulfill the state's commitment.

5. On April 25, 1997, the Legislative Council Special Committee on the School Aid Formula voted to recommend that the state continue to provide equalization aid through a sum sufficient appropriation rather than an annual sum certain appropriation as proposed by the Governor. The Special Committee also voted to recommend that the current annual procedure for adjusting the amount of funding necessary for the equalization aid appropriation be retained, rather than eliminating this process as proposed in SB 77. In an April 24, 1997, letter to the Co-Chairs of JFC, the Senate Education Committee made the same recommendations.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to modify the current equalization aid appropriation from a sum sufficient to an annual sum certain. In addition, delete the current statutory procedure for establishing the funding level for equalization aid. Instead, provide that by February 15, 1999, and biennially thereafter, the Governor would submit an estimate to JFC of the amount needed in the following biennium to ensure that the sum of state school aids and the school levy tax credit equals two-thirds of partial school revenues.

2. Maintain current law.

No Vote Needed

Prepared by: Bob Soldner

MO#			
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

PUBLIC INSTRUCTION

Delete Primary Hold Harmless Provision on Equalization Aids

Motion:

Move to delete the current law hold harmless provision on primary aid under the state's equalization aid formula as well as the current law special adjustment aid.

Note:

This motion would modify the current law equalization aid formula to repeal the hold harmless on primary aid, which would result in the redistribution of aid at the primary aid level from certain higher-value districts to other school districts. The motion would also repeal special adjustment aids, which otherwise would limit the amount of aid a school district could lose compared to the prior year.

MO# 3228

JENSEN	Y	X	A
OURADA	Y	X	A
HARSDORF	Y	X	A
ALBERS	Y	X	A
GARD	Y	X	A
KAUFERT	Y	X	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	Y	X	A
PANZER	Y	X	A

AYE 8 NO 8 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Two-Thirds Rather Than 66.7% State Support (DPI)

[LFB Summary: Page 464, #5]

CURRENT LAW

Under current law, by each June 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance (JFC) an estimate of the amount necessary in the equalization aid appropriation which, when combined with categorical school aid appropriations and the school levy tax credit, would achieve 66.7% of partial school revenues in the following school year. Partial school revenues is the sum of state school aids, which is the sum of general and categorical school aids, and gross property taxes levied for school districts. By June 30, JFC must approve the amount to appropriate as equalization aid.

GOVERNOR

Replace the current statutory goal of 66.7% of partial revenues with a goal of "two-thirds" of partial school revenues. This modification would result in an annual reduction of 0.05%, or approximately \$2.1 million in 1997-98 and \$2.2 million in 1998-99, from the funding required for equalization aid under current law.

DISCUSSION POINTS

1. The administration argues that the current goal of 66.7% of partial school revenues is commonly referred to as "two-thirds funding." The SB 77 provision would align the statutory goal of 66.7% with common usage, which is equivalent to 66.666...%. In their view, there is little reason for the state to pay the additional cost of attaining a 66.7% goal, if the goal is considered to be "two-thirds" funding.

2. On April 25, 1997, the Legislative Council Special Committee on the School Aid Formula voted to recommend that the current statutory goal of 66.7% be retained, rather than the Governor's proposal to change the goal to "two-thirds".

3. If the Governor's proposal would be deleted, it is estimated that this modification would increase the state's cost of funding partial school revenues by approximately \$2.1 million in 1997-98 and \$2.2 million in 1998-99.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to replace the current statutory goal of 66.7% of partial school revenues with a goal of "two-thirds" of partial school revenues, which would reduce the cost for equalization aids, of meeting the goal by an estimated \$2,100,000 in 1997-98 and \$2,200,000 in 1998-99, compared to current law.

Alternative 1	GPR
1997-99 FUNDING (Change to Base)	- \$4,300,000
[Change to Bill]	\$0

2. Maintain current law, which would increase costs for equalization aids, compared to the bill by an estimated \$2,100,000 in 1997-98 and \$2,200,000 in 1998-99.

Alternative 2	GPR
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	\$4,300,000

Prepared by: Bob Soldner ²JENSEN
 MO# Alt #1
 OURADA
 HARSDORF
 ALBERS
 GARD
 KAUFERT
 LINTON
 COGGS

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 13 NO 3 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

School District Revenue Limits -- School Districts with Changes in Pupil Enrollments (DPI)

CURRENT LAW

For purposes of the state's school district revenue limit, a three-year rolling average of a school district's pupil enrollment is used to determine the allowable revenue increase for that district. The number of pupils is based on the average of a school district's membership count taken on the third Friday in September for the current and two preceding school years. For example, the average of the 1993, 1994 and 1995 September memberships was used to calculate the 1995-96 base year revenues per pupil. Then, the average of the 1994, 1995 and 1996 September memberships is used to determine the allowable revenue increase in 1996-97.

Only those pupils who are residents of the district are counted for membership purposes. Pupils who transfer between school districts under the integration (Chapter 220) program are counted in the membership of the sending district and not the receiving district. In addition, pupils participating in the Milwaukee parental choice program are excluded from the membership of the Milwaukee Public Schools when computing the District's revenue limit.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Approximately 66% of school districts increased membership from the 1995 to the 1996 third Friday in September pupil count for purposes of the school district revenue limit calculations. Specifically, 283 school districts gained, 138 school districts lost and five school districts had no change in membership. The one-year changes ranged from a 19.35% increase to a 19.39% decrease.

2. For purposes of revenue limit calculations, two separate three-year rolling averages are used to calculate a district's maximum revenues. The three-year rolling averages are used, instead of a one-year change, to lessen the impact on school district budgeting that an annual change could cause. Under the 1996-97 calculations, the changes in the three-year rolling averages ranged from a 13.95% increase to a 6.99% decrease.

3. Some have argued that a five-year rolling average should be used for purposes of calculating revenue limits. The proponents have argued that five-year rolling averages would allow school districts more opportunity to plan and react to changing memberships. Opponents would argue that a three-year rolling average allows ample opportunity for districts to react to changing memberships and moving to five-year rolling averages would only delay a district's need to make decisions.

4. On April 24, 1997, the Senate Education Committee sent a letter to the Co-Chairs of JFC indicating that the Senate Education Committee supports some adjustment for declining enrollment school districts. The Senate Committee identified a four-year or five-year rolling average as a possibility. Based on the 1996-97 revenue limit calculations, including the \$206 per member increase and prior to other allowable adjustments, a five-year rolling average would increase maximum revenues by approximately \$8.0 million. Specifically, 250 school districts would gain \$15.4 million and 176 school districts would lose \$7.4 million. The state's cost of this increase, under the goal of funding 66.7% of partial school revenues, would be approximately \$5.3 million.

5. On April 29, 1997, the Legislative Council Special Committee on the School Aid Formula recommended that an 85% hold harmless provision be incorporated into the revenue limit calculations designed to protect declining enrollment districts. The proposal would specify that if the three-year rolling average used for revenue limits results in a loss of membership for a school district, then the district could retain 85% of the membership lost for purposes of calculating its allowable revenue increase. Although the membership count would revert to its actual level the next year, this higher revenue amount would carry forward, because the base revenue for the next year would reflect the higher maximum revenue generated under the 85% hold harmless provision.

This proposal would provide substantial support to districts with declining enrollment. However, one disadvantage of this proposal would be that a district that experienced a decline

in enrollment in one year and an offsetting increase in the next year, would end up with higher allowable revenues per pupil than if the district had stable membership. This could create an undesirable incentive for school districts to manipulate their fall membership counts for revenue limit purposes.

6. The Committee could adopt modifications that would adjust school district three-year rolling average memberships used in calculating revenue limits so that no school district would experience a change (either a decrease or increase) greater than two percent compared to the prior year's count. Based on the 1996-97 revenue limit calculations, including the \$206 per member increase and prior to other allowable adjustments, this alternative would decrease maximum revenues by approximately \$16.65 million. Specifically, 11 school districts would gain \$0.35 million and 148 school districts would lose \$17.0 million. Districts with significant declines in membership would gain under this option, and districts with larger gains in membership would lose under this alternative. The state's share of this decrease in maximum revenues, under the goal of funding 66.7% of partial school revenues, would be a reduction of approximately \$11.11 million.

ALTERNATIVES TO BASE

1. Adopt a five-year rolling average for purposes of calculating school district revenue limits, effective July 1, 1998. It is estimated that this modification would cost approximately \$5.3 million in 1998-99 for additional equalization aids.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$5,300,000
[Change to Bill]	\$5,300,000]

2. Provide that if a school district's three-year rolling average pupil enrollment changes by more than 2% compared to the prior year three-year rolling average, then its allowable maximum revenues would be calculated as if the change had been 2%, effective July 1, 1998. Specify that this provision would apply to one of the following situations:

a. to school districts only with declining enrollment; provide an additional \$230,000 in 1998-99 for equalization aids.

<u>Alternative 2a</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$230,000
[Change to Bill]	\$230,000]

b. to school districts with both declining and increasing enrollments; delete \$11,110,000 in 1998-99 for equalization aids.

<u>Alternative 2b</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	- \$11,110,000
[Change to Bill]	- \$11,110,000]

3. **Maintain current law.**

Prepared by: Bob Soldner

MO# _____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

see motion #3049

PUBLIC INSTRUCTION

School District Revenue Limits --
Declining Enrollment -- Three-Year Declining Hold Harmless Provision

Motion:

Move to provide that if a school district's three-year rolling average pupil enrollment declines by more than 2% compared to the prior year three-year rolling average, then its allowable maximum revenues would be calculated as if the decrease has been 2%, effective only for 1997-98. Provide that beginning in 1998-99 and thereafter a school district that loses enrollment would receive a three-year declining adjustment to revenue limits, in an amount equal to: (a) in year one, a dollar amount equal to the allowable revenues that 75% of the decline in membership would have generated; (b) in year two, a dollar amount equal to the allowable revenues that 50% of the decline in membership would have generated; and (c) in year three, a dollar amount equal to the allowable revenues that 25% of the decline in membership would have generated. After year three, no further adjustment would be provided attributable to the initial decline in membership. Specify that these adjustments would be calculated separately from the maximum allowable revenues under the current three-year rolling, average process, and would be provided as non-recurring adjustments. This same process would apply to a membership decline in subsequent years. Provide \$230,000 GPR in 1997-98 and \$2,900,000 in 1998-99 for equalization aids.

Note:

It is estimated that this proposal would require \$0.23 million GPR in 1997-98 and \$2.9 million GPR in 1998-99 for general equalization aids in order to maintain the state's commitment to fund 66.7% of partial school revenues.

[Change to Base: \$3,130,000 GPR]

[Change to Bill: \$3,130,000 GPR]

#3249
MO# 3249

JENSEN	X	N	A
OURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	Y	X	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	Y	X	A
JAUCH	X	N	A
WINEKE	Y	X	A
SHIBILSKI	X	N	A
COWLES	Y	X	A
PANZER	Y	X	A

AYE 11 NO 5 ABS _____

Motion #3249

PUBLIC INSTRUCTION

Declining Enrollment -- Revenue Limits

Motion:

Move to provide that if a school district that has an enrollment decline that exceeds 2% of its enrollment (as calculated through the current law three-year average process), then the school district could levy for the amount of revenue loss that would be attributable to the decline in enrollment that exceeds 2%. Specify that this additional levy would not be included in the calculation of partial school revenues for purposes of the goal of state funding of 66.7% of partial school revenues.

MO# 4505

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
ZSHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
AYE	<u>6</u>	NO	<u>10</u> ABS

PUBLIC INSTRUCTION

School District Revenue Limits -- Declining Enrollment 85% Hold Harmless

Motion:

Move to provide that an 85% hold harmless provision be incorporated into the revenue limit calculations designed to protect declining enrollment districts. Specify that if the three-year rolling average used for revenue limits would result in a loss of membership for a school district, then the district would retain 85% of the membership lost for purposes of calculating its allowable revenue increase. Provide \$3,200,000 GPR in 1997-98 and \$6,500,000 GPR in 1998-99 for equalization aids.

Note:

Under this proposal, the membership count would revert to its actual level the next year, but the higher revenue amount would carry forward, because the base revenue for the next year would reflect the higher maximum revenue generated under the 85% hold harmless provision. It is estimated that this proposal would require \$3.2 million GPR in 1997-98 and \$6.5 million GPR in 1998-99 for general equalization aids in order to maintain the state's commitment to fund 66.7% of partial school revenues.

[Change to Base: \$9,700,000 GPR]
 [Change to Bill: \$9,700,000 GPR]

MO# 3203

JENSEN	Y	X	A
OURADA	Y	X	A
HARSDORF	Y	X	A
ALBERS	Y	X	A
GARD	Y	X	A
KAUFERT	Y	X	A
LINTON	X	N	A
COGGS	X	N	A

2 BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	Y	X	A
PANZER	Y	X	A

AYE 8 NO 8 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

School District Revenue Limits - Maximum Allowable Revenue Increase (DPI)

[LFB Summary: Page 461, #2]

CURRENT LAW

For purposes of school district revenue limits, the state restricts the annual increase in a school district's per pupil revenue derived from general school aids and property taxes. The allowable increase in revenue per pupil cannot exceed a flat dollar amount of \$206 for 1996-97 and each year thereafter.

General school aids consist of the following, as they apply to a particular school district:

(a) equalization aid; (b) integration (Chapter 220) aid; and (c) special adjustment (hold harmless) aid. In total these aids represent nearly 90% of the funds provided as state aid to school districts.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Prior to 1995-96, the allowable per pupil revenue increase could not exceed a flat dollar amount or the rate of inflation, whichever resulted in the higher revenue amount for the district. In 1993-94, the limit was based on \$190 per pupil or an inflation rate of 3.2%. Beginning in 1994-95, the \$190 per pupil amount was adjusted by the rate of inflation, so that the limit was based on \$194.37 per pupil or an inflation rate of 2.3%. Under 1995 Act 27 (the

1995-97 budget) the maximum allowable per pupil revenue increase was set at \$200 in 1995-96 and \$206 in 1996-97 and each year thereafter. Under Act 27, the flat dollar amount is no longer adjusted for inflation and a school district no longer has the option to use the inflation rate to determine its maximum allowable increase.

2. There are three main arguments offered by the proponents of a flat dollar amount:

- Limiting all school districts to the same per pupil increase in allowable revenues will, over time, reduce the disparity in revenue per pupil among districts in the state on a percentage basis. A \$206 increase represents a greater increase as a percent of the base for a district with lower allowable revenue per pupil than for a district with higher revenues per pupil.

- A flat dollar amount, rather than a higher adjustment based on an inflation option, for districts with higher-than-average revenues per pupil results in more property tax relief for taxpayers in those communities.

- The cost for the state to achieve the goal of two-thirds funding of partial school revenues, which began in 1996-97, is lower than compared to indexing the flat dollar amount.

3. Under current law, it is estimated that the \$206 flat amount would provide allowable per pupil revenue increases of 3.0% or greater to approximately 77% of school districts in 1997-98 and approximately 69% in 1998-99. The following table shows the number of school districts by percentage increase in allowable revenues during fiscal years 1996-97, 1997-98 and 1998-99.

Number of School Districts by Percentage Increase of the Per Pupil Allowable Revenues with the Current \$206 Amount

<u>Percentage Increase to Allowable Revenues</u>	<u>Actual 1996-97</u>		<u>Estimated SB 77</u>			
			<u>1997-98</u>		<u>1998-99</u>	
Greater than or Equal to 4.0%	9	2.1%	1	0.2%	1	0.2%
Less than 4.0%, but Greater than 3.0%	346	81.2	327	76.8	294	69.1
Less than 3.0%, but Greater than 2.0%	68	16.0	95	22.3	127	29.8
Less than 2.0%	3	0.7	3	0.7	4	0.9
Total	426	100.0%	426	100.0%	426	100.0%

4. The administration indicates that it is concerned about putting into place an automatic growth provision for the flat dollar amount. It is argued that the Legislature could make adjustments to the amount in future years.

5. Opponents of the \$206 flat dollar per pupil allowable increase argue that certain expenditure categories (such as special education, staff contracts and school building maintenance) require more than an inflationary adjustment. Furthermore, they are concerned that unless the flat dollar amount is adjusted, \$206 per pupil will represent less of a percentage increase in future years.

In addition, it is argued that if the flat dollar amount is increased, it would help narrow the gap more quickly, in percentage terms, between low per pupil revenue districts and high per pupil revenue districts. Finally, opponents of the flat amount indicate that it may be more difficult for future Legislatures to maintain revenue limits, if school districts have inadequate resources because the annual per pupil adjustment is set at too low a level.

6. The inflation rate that was used for the revenue limit calculation was based on the rate of change in the all-urban Consumer Price Index (CPI-U) between May of the preceding calendar year and May of the current calendar year. The percentage change in the CPI-U has remained relatively low the last two years: (a) between May of 1994 and May of 1995, the change was 3.2%; and (b) between May of 1995 and May of 1996, the change was 2.8%.

7. The Committee could consider adjusting the maximum allowable revenue increases by indexing the flat dollar amount to the all-urban Consumer Price Index. Indexing to inflation would require state GPR support to increase by an estimated \$2.8 million in 1997-98 and by \$6.3 million in 1998-99 to achieve the goal of funding two-thirds of partial school revenues. In a letter to the Co-Chairs of JFC dated April 24, 1997, the Senate Education Committee recommended that this type of indexing provision be included in the budget.

8. Previously, concerns were raised regarding the month used to determine the inflation rate under the revenue limits. It has been argued that basing the rate on the month of May created budget planning problems for school districts because the allowable rate of increase was not known until June and school districts generally develop their budgets for the next school year beginning in February or March. Although CPI-U figures will vary from month to month, using a March over March comparison would allow for an earlier calculation of any inflation adjustment.

9. On April 29, 1997, the Legislative Council Special Committee on the School Aid Formula voted to recommend that the \$206 per pupil revenue increase be used in any year, unless the CPI-U multiplied by the statewide average base revenue per pupil exceeds \$206, in which case the inflation-adjusted number would be used. The \$206 would be the minimum in any given year unless the CPI-U multiplied by the statewide average base revenue per pupil yielded

a larger number. If so, the larger number would be used on a uniform statewide basis for all school districts.

It is estimated that the statewide average base revenue per pupil would be \$6,428 for 1997-98 and \$6,648 for 1998-99. If an estimated rate of inflation of 2.8% is applied to these projected base revenue amounts, per pupil allowable revenue increases of \$180 in 1997-98 and \$186 in 1998-99 would result; therefore, the \$206 per pupil increase would apply during the 1997-99 biennium. As an example, the rate of inflation would have to exceed 3.1% for the per pupil allowable increase to exceed \$206 in 1998-99.

ALTERNATIVES TO BASE

1. **FAIL** Adopt an annual inflation adjustment to the flat dollar amount of \$206. As a result, it is estimated that the \$206 would increase to \$211 per pupil in 1997-98 and to \$217 per pupil in 1998-99. This alternative would increase the estimated cost to provide two-thirds funding by \$2,800,000 in 1997-98 and \$6,300,000 in 1998-99 compared to the amounts provided in SB 77 for equalization aids. Provide that the rate of inflation would be based on the change in CPI-U for the month of March in that calendar year compared to the prior March.

Alternative 1	GPR
1997-99 FUNDING (Change to Base)	\$9,100,000
[Change to Bill	\$9,100,000]

2. **FAIL** Adopt the Legislative Council Special Committee's recommendation that the \$206 per pupil revenue increase be used in any year unless the CPI-U multiplied by the statewide average base revenue per pupil exceeds \$206, in which case the inflation-adjusted number would be used. The \$206 would be the minimum in any given year unless the CPI-U multiplied by the statewide average base revenue per pupil yielded a larger number. It is estimated that this alternative would have no fiscal effect during the 1997-99 biennium. Provide that the rate of inflation would be based on the change in CPI-U for the month of March in that calendar year compared to the prior March.

3. Maintain current law. As a result, the flat dollar amount of \$206 would be used to determine a school district's maximum allowable increase each year.

Prepared by: Bob Soldner

MO# <u>ALT #2</u>		BURKE	X	N	A
		ZDECKER	X	N	A
		GEORGE	X	N	A
		JAUCH	X	N	A
		WINEKE	X	N	A
JENSEN	Y	N	A		
OURADA	Y	N	A		
HARSDORF	Y	N	A		
ALBERS	Y	N	A		
GARD	Y	N	A		
KAUFERT	Y	N	A		
LINTON	X	N	A		
COGGS	X	N	A		
		SHIBILSKI	X	N	A
		COWLES	Y	N	A
		PANZER	Y	N	A
		AYE	8	NO	80
		ABS			

PAPER # 659

MO# AH #1

JENSEN	Y	X	A
OURADA	Y	X	A
HARSDORF	Y	X	A
ALBERS	Y	X	A
GARD	Y	X	A
KAUFERT	Y	X	A
LINTON	X	N	A
COGGS	X	N	A

2 BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
/ WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	Y	X	A
PANZER	Y	X	A

AYE 8 NO 8 ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

School District Revenue Limits -- Carryover of Unused Revenue Authority (DPI)

[LFB Summary: Page 461, #2]

CURRENT LAW

If a school district's revenues in any school year are less than the maximum allowed in that year, the revenue limit otherwise applicable to the district in the subsequent school year is increased by an amount equal to 75% of the difference between the district's actual revenues and the maximum amount allowed.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Based on information from the Department of Public Instruction relating to the calculation of revenue limits in 1996-97, 174 out of the state's 426 school districts carried over approximately \$8.6 million of unused revenue authority from 1995-96 into 1996-97. Based on the same data, it is estimated that 127 out of the state's 426 school districts would carry over approximately \$6.3 million of unused revenue authority from 1996-97 into 1997-98. The following table shows the number of school districts that carried over unused revenue authority by certain intervals of carryover amounts for 1996-97 and 1997-98. As shown in the table, 97 of the 174, or 56% of the 174, school districts carried over less than \$10,000 of unused revenue

authority in 1996-97 and it is estimated that 87 of the 127, or 69% of the 127, school districts would carry over less than \$10,000 of unused revenue authority in 1997-98.

**Distribution of School Districts by Amount of 75% Carryover
Allowed for Purposes of Actual 1996-97 and Estimated 1997-98 Revenue Limits**

<u>Carryover Amounts</u>	<u>Number of Districts</u>	
	<u>1996-97</u>	<u>1997-98</u>
Under \$999	43	42
\$1,000 to 9,999	54	45
\$10,000 to 24,999	27	13
\$25,000 to 49,999	11	9
\$50,000 to 99,999	18	6
\$100,000 to 199,999	7	4
\$200,000 to 299,999	6	2
\$300,000 to 499,999	6	4
\$500,000 and over	<u>2</u>	<u>2</u>
Total	174	127

2. The current 75% carryover provision was established in 1995 Act 27 (the 1995-97 budget), beginning with the 1995-96 revenue limit. Prior to that, there was no carryover allowed under revenue limits. The 75% carryover provision was created to reduce the incentive that school districts would otherwise have to levy to the allowable maximum. Without a carryover provision, a school district's revenue limit for the following year would be lower, if the school district did not set its levy high enough to generate the maximum allowable revenues under the revenue limits. As a result, school districts would have an incentive to levy to the maximum amount allowed out of concern for their future revenue limits, even if they did not need the additional revenues in the present.

3. On April 25, 1997, the Legislative Council Special Committee on the School Aid Formula voted to recommend that school districts be permitted to carry over 100% of the unused revenue authority from one year to the next. It was argued that this proposed 100% carryover provision would allow a school district to levy at less than the maximum allowable in a given year, without concern for its future revenue limit calculations. However, the current 75% carryover provision already provides a significant adjustment to school districts. In addition, it is unclear whether a school district that did not need to fully utilize its revenue base in one year, would require 100% of this difference in the next year.

4. The Committee could allow school districts to carry over 100% of the unused revenue authority. It is estimated that if every district took full advantage of the proposed adjustment, the districts would collectively raise additional revenue of approximately \$2.1 million in 1997-98 and \$1.0 million in 1998-99. Assuming that 80% of these carryover amounts would be utilized in the following year, the state's cost of this increase, under the 66.7% goal of partial school revenues, would be approximately \$1.1 million in 1997-98 and \$0.5 million in 1998-99.

ALTERNATIVES TO BASE

① *FAIL* Allow school districts to carry over 100% of the prior year's unused maximum revenue authority. If selected, it is estimated that this provision would cost approximately \$1,100,000 in 1997-98 and \$500,000 in 1998-99 for additional equalization aids.

<u>Alternative 1</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	\$1,600,000
[Change to Bill]	\$1,600,000]

② *Default* Maintain current law.

Prepared by: Bob Sold

MO# Alt #1

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 7 NO 9 ABS