



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #511

Sparsity Aid (DPI -- Categorical Aids)

[LFB 2015-17 Budget Summary: Page 342, #2]

CURRENT LAW

Sparsity aid provides additional funding to small, rural districts meeting three eligibility criteria, based on data from the previous school year: (a) an enrollment of less than 725 pupils; (b) a population density of less than 10 pupils per square mile of district attendance; and (c) at least 20% of pupils qualify for free or reduced price lunch. Aid is equal to \$300 multiplied by the school district's membership in the previous school year. If funding is insufficient, payments are prorated.

GOVERNOR

Provide \$4,220,700 annually above base level funding of \$13,453,300 for sparsity aid. Additionally, delete the current requirement that at least 20% of a school district's pupils must qualify for free or reduced-price lunch for the district to be eligible for aid under the program.

DISCUSSION POINTS

1. The sparsity aid program was created in 2007 Act 30 and aid was first distributed in the 2008-09 school year. The program provides additional funding for small rural districts outside of their revenue limits.
2. In 2014-15, 133 school districts qualify for aid with a combined pupil membership of approximately 57,000. Aid to each eligible school district equals \$300 times the district's membership in the previous school year. If funding is insufficient, school districts receive a prorated portion of the total amount for which they qualify. Payments have been prorated in each year since

the program was first implemented in 2008-09, and in 2014-15, aid is prorated at approximately 78.7%, or \$236 per pupil. The following table shows the number of districts that qualified for aid, the total amount of funding appropriated, and the proration rate in each of the years between 2008-09 and 2014-15.

Sparsity Aid, 2008-09 to 2014-15

	<u>Districts</u>	<u>Appropriation</u>	<u>Proration</u>
2008-09	110	\$3,644,600	44.7%
2009-10	115	3,517,100	23.0
2010-11	123	14,948,100	93.9
2011-12	130	13,453,300	80.3
2012-13	129	13,453,300	82.1
2013-14	133	13,453,300	79.1
2014-15	133	13,453,300	78.7

3. The sparsity aid program is intended to mitigate a number of challenges experienced by rural districts with both a small pupil membership and a sparsely populated area. In districts with low enrollment, fixed costs are spread across fewer pupils, and class sizes in required courses may be so small as to further increase per pupil costs. Declining enrollment in many rural districts further decreases the resources available to affected districts and provides an additional challenge to districts with enrollments that are already low. Additionally, districts with low pupil density typically experience higher transportation costs associated with transporting a small number of pupils over a greater distance.

4. In 2013, the Speaker's Rural Schools Task Force was formed to identify challenges facing rural schools and to make recommendations to address those challenges. In May, 2014, the Rural Schools Task Force issued a report with recommendations including a proposal to change the sparsity aid appropriation from a sum certain to a sum sufficient appropriation and modify the eligibility criteria to eliminate the free and reduced price lunch requirement, increase the pupil membership limit to 1,000 pupils, and allow districts with pupil membership of up to 2,700 pupils and a population density of less than seven pupils per square mile to qualify for a reduced amount of aid. The task force reported that it had heard testimony stating that sparse population increases expenses for districts, regardless of the district's poverty level or total pupil population. It is estimated that it would cost \$38.8 million to fully fund this recommendation at \$300 per pupil, which would represent an increase of \$21.1 million annually over the funding provided in the budget bill.

5. In its agency budget request, DPI also recommended deleting the current eligibility criterion that at least 20% of pupils must qualify for free or reduced price lunch. DPI indicates that the criterion is no longer relevant because as the number of low-income pupils has increased across the state, the minimum requirement for sparsity aid has not changed and is now set significantly below the statewide average percentage of pupils qualifying for free and reduced price lunch. In 2013-14, 41.9% of pupils in Wisconsin qualified for a free or reduced price lunch, and 369 out of 424 districts had free or reduced price lunch percentages greater than 20%.

6. On the other hand, some may argue that a district with a high concentration of poverty

may need additional resources to attain comparable educational achievement. In addition, taxpayers with lesser incomes may be less likely to support a referendum to increase revenue limits in their school districts if a district determines that additional revenue is necessary to support its operations. However, one could respond that free and reduced price lunch percentages do not directly relate to the issues usually associated with sparsely populated school districts, and therefore that this criterion is not directly related to the intent of the program.

7. An additional five districts would have qualified for aid in 2014-15 had the free and reduced price lunch criteria not applied. These districts are Barneveld, Elkhart Lake-Glenbeulah, Erin, Oakfield, and Stockbridge. Oakfield and Stockbridge had been eligible in 2013-14 and earlier years, but did not qualify in 2014-15 based on their percentage of free and reduced price lunch pupils. Barneveld qualified for sparsity aid in 2011-12, and Erin and Elkhart Lake-Glenbeulah have not qualified for aid in any year since the program's inception.

8. According to DPI's agency budget request, the five additional schools that would qualify for participation in the program following the elimination of the free and reduced price lunch requirement would increase the cost of the program by \$582,900 annually. The proposed increase in funding would provide full funding to the program, including the five additional districts, based on DPI's estimate of a total membership of approximately 58,900 members in eligible districts in 2015-16 and 2016-17.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$4,220,600 annually above base level funding of \$13,453,300 and delete the criterion limiting eligibility to districts at which at least 20% of pupils qualify for a free or reduced price lunch. It is estimated that this funding level would provide the full \$300 of aid per pupil. Based on 2013-14 data, five additional districts would qualify for aid as a result of deleting the eligibility criterion.

2. Modify the Governor's recommendation with one of the following changes:

a. Delete \$4,220,600 annually from the appropriation for sparsity aid. It is estimated that this funding level would maintain a proration rate of approximately 76%.

ALT 2a	Change to Bill
GPR	- \$8,441,200

b. Restore the eligibility criterion that limits sparsity aid to districts at which at least 20% of pupils qualify for free or reduced price lunch. Reduce funding by \$582,900 annually to reflect the decrease in the number of participating schools. It is estimated that this funding level would provide the full \$300 of aid per pupil for eligible districts.

ALT 2b	Change to Bill
GPR	- \$1,165,800

3. Delete provision. Under this alternative, the estimated prorate would equal 76% in 2015-16 and 2016-17, and districts at which less than 20% of pupils qualify for free or reduced price lunch would not be eligible for aid.

ALT 3	Change to Bill
GPR	- \$8,441,200

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