

**Overview of State Financing of K-12 Education in Wisconsin**  
**(Legislative Fiscal Bureau --December 14, 2017)**

**TABLE 1**  
**2017-18 General Fund Appropriations**  
**(\$ in Millions)**

	<u>Amount</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
School Aids	\$5,575.2	33.0%	33.0%
School Levy Property Tax Credit	853.0	5.1	38.1
First Dollar Property Tax Credit	<u>150.0</u>	<u>0.9</u>	39.0
Subtotal	\$6,578.2	39.0%	
Private School Choice Programs*	\$269.0	1.6%	40.6
Independent Charter Schools*	63.8	0.4	40.9
All Other GPR Programs	<u>\$9,968.6</u>	<u>59.1%</u>	100.0
Total Appropriations and Reserves	\$16,879.6	100.0%	

\*After consideration of offsetting reductions in general aids, the net cost to the general fund of the choice programs is \$164.4 million and the net cost to the general fund of the independent charter schools is \$0.

Table 2 shows the level of state support for K-12 public education in 2016-17, 2017-18, and 2018-19. Partial school revenues, which includes only state aid and the property tax levy (with certain exceptions), is the traditional measure for state support.

**TABLE 2**  
**State Support for K-12 Public Education (All Funds)**  
**(\$ in Millions)**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
State Funding:			
General School Aids	\$4,600.9	\$4,600.9	\$4,673.7
Categorical Aids	843.6	1,029.5	1,219.8
School Levy Property Tax Credit	853.0	940.0	940.0
First Dollar Property Tax Credit	150.0	150.0	150.0
State Residential Schools	<u>11.2</u>	<u>10.9</u>	<u>10.9</u>
Total	\$6,458.8	\$6,731.3	\$6,994.4
Partial School Revenues	\$10,158.4	\$10,390.0*	\$10,625.0*
Percent State Support	63.6%	64.8%*	65.8%*

\*Estimated.

**TABLE 3****2017-18 General and Categorical School Aid by Funding Source**

Agency	Type and Purpose of Aid	Amount
	<i>General Aid--GPR Funded</i>	
DPI	General School Aids	\$4,584,098,000
	High Poverty Aid	<u>16,830,000</u>
	<i>Total General Aid</i>	\$4,600,928,000
	<i>Categorical Aid--GPR Funded</i>	
DPI	Per Pupil Aid	\$378,180,000
	Special Education	368,939,100
	High-Cost Special Education Aid	9,239,000
	Special Education Transitions Incentive Grants	2,700,000
	Supplemental Special Education Aid	1,750,000
	Achievement Gap Reduction	109,184,500
	SAGE--Debt Service	133,700
	Pupil Transportation	24,000,000
	Sparsity Aid	18,496,200
	High-Cost Transportation Aid	12,700,000
	Bilingual-Bicultural Aid	8,589,800
	Tuition Payments	8,242,900
	Head Start Supplement	6,264,100
	Educator Effectiveness Grants	5,746,000
	School Lunch	4,218,100
	County Children with Disabilities Education Boards	4,067,300
	School Breakfast	2,510,500
	Peer Review and Mentoring	1,606,700
	Four-Year-Old Kindergarten Grants	1,350,000
	School Day Milk	617,100
	Rural School Teacher Talent Pilot Program	500,000
	Aid for Transportation--Open Enrollment/Early College	454,200
	Robotics League Participation Grants	250,000
	Gifted and Talented	237,200
	Supplemental Aid	100,000
DOA	Debt Service on Technology Infrastructure Bonding	<u>911,400</u>
	<i>Total Categorical Aid--GPR Funded</i>	\$970,987,800
	<i>Categorical Aid--PR Funded</i>	
DPI	AODA	\$1,284,700
	Tribal Language Revitalization Grants	<u>222,800</u>
	<i>Total Categorical Aid--PR Funded</i>	\$1,507,500
	<i>Categorical Aid--SEG Funded</i>	
DPI	School Library Aids	\$35,000,000
DOA	Educational Telecommunications Access Support	<u>21,984,200</u>
	<i>Total Categorical Aid--SEG Funded</i>	\$56,984,200
	<i>Total Categorical Aid--All Funds</i>	\$1,029,479,500
	<i>Total School Aid--All Funds</i>	\$5,630,407,500

## School District Revenues

Table 4 shows total school district revenue by source for 2015-16, the most recent year for which audited data is available from the Department of Public Instruction. The state aid amount in the table is for school districts only, and excludes money paid to other entities, such as cooperative educational service agencies (CESAs) and county children with disabilities education boards (CCDEBs).

**TABLE 4**

**2015-16 School District Revenue  
(\$ in Millions)**

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent</u>
State Aid	\$5,104.1	45.4%
Gross Property Tax*	4,854.7	43.2
Federal Aid	799.8	7.1
Other Local Revenues	<u>475.0</u>	<u>4.2</u>
Total	\$11,233.6	100.0%

\*In 2015-16, the state provided \$1,003.0 million in the school levy and first dollar property tax credits to reduce the gross amount of school property taxes shown in the table (\$4,854.7 million) paid by taxpayers to a net amount of \$3,851.7 million.

## Revenue Limits

Revenue limits were imposed beginning in 1993-94.

Funding under the revenue limit:

- General aid
- Property tax levy (with certain exceptions)
- State payment for exempt computer property (also called computer aid)
- State payment for exempt personal property (beginning in 2018-19)

Funding outside the revenue limit:

- Categorical aid
- Federal aid
- Other local revenue (such as student fees, ticket sales, or interest income)

### Relationship Between Revenue Limit, General Aid, and Levy

While there are exceptions, one of the basic relationships in school finance is:

$$\text{revenue limit} = \text{state general aid} + \text{local property tax levy}$$

If the state provides additional revenue limit authority, it could be funded from either general aid or the local levy.

- If an amount of general aid funding equal to the additional revenue limit authority is provided, there would be no statewide levy impact.
- If no additional general aid funding is provided, school boards would have the authority to increase their levy by an amount equal to the additional revenue limit authority.

If the state reduces revenue limit authority, it would result in the reduction either in general aid or the local levy.

- If state aid were reduced by an amount equal to the reduced revenue limit authority, the statewide levy would remain unchanged.
- If general aid funding were maintained, the statewide levy would be reduced by an amount equal to the reduced revenue limit authority.

The same dynamic with respect to revenue limit, general aid, and levy also exists for an individual district.

## Revenue Limit Calculation

### Base Revenue

Prior year funding is the starting point for the current year revenue limit.

### Enrollment

The revenue limit calculation uses a three-year rolling average of a district's enrollment, equal to the sum of the 3<sup>rd</sup> Friday in September count and 40% of summer school count.

### Per Pupil Revenue Adjustment

A district's base revenue per pupil can be increased or decreased by a per pupil adjustment amount, specified in law. Under the 2017-19 budget act, there will be no per pupil adjustment in 2017-18 or any year thereafter.

	<u>Per Pupil Adjustment</u>
2009-10	\$200.00
2010-11	200.00
2011-12	-5.5%*
2012-13	\$50.00
2013-14	75.00
2014-15	75.00
2015-16	0.00
2016-17	0.00
2007-18	0.00
2018-19	0.00

\* The statewide average per pupil reduction was -\$554.

### Revenue Limit Adjustments

A number of adjustments provide additional revenue limit authority to districts, including:

- Declining enrollment
- Carryover of unused revenue authority
- Transfer of service

### Referenda

School boards can propose an operating referendum to increase the district's limit by a specified amount. The question must specify whether the increase is recurring (permanent) or non-recurring (temporary).

If voters in a district pass a bonding referendum, the levy for the approved debt is not subject to revenue limits. The debt service costs are then aided through the equalization formula.

Under the 2017-19 biennial budget act, referenda are limited to regularly-scheduled election days (spring primary or election and partisan primary or general election) and to holding referenda on no more than two dates per year, with an exception for districts that experience a natural disaster.

## General School Aids

The general school aids appropriation funds equalization, integration (Chapter 220), and special adjustment aids. In 2017-18, \$4,584.1 million is provided in the general school aids appropriation. (\$16.8 million in high poverty aid is provided from a separate appropriation.)

	Funding Eligibility (in Millions)	Number of Districts Eligible (Out of 422)
Equalization	\$4,515.2	401
Integration	54.0	25
Special Adjustment	<u>14.9</u>	65
Total	\$4,584.1	

Integration aid and special adjustment aid are funded as first draws from the general school aids appropriation. The remaining funding is distributed through the equalization formula.

### **Integration Aid (Chapter 220)**

Interdistrict or intradistrict aid based on number of pupils transferred from an attendance area or district with high concentration of minority pupils to one with lower concentration.

In 2017-18, four districts (Milwaukee, Madison, Racine, and Wausau) are eligible for \$39.0 million in gross intradistrict aid, with 15,212 pupils transferred within the districts.

In 2017-18, Milwaukee and 21 suburban districts are eligible for \$15.0 million in gross interdistrict aid, with 1,182 pupils transferring (1,056 pupils transferring from MPS to a suburban district, 126 pupils transferring from a suburban district to MPS).

Under the 2015-17 budget, the Chapter 220 program started to be phased out beginning in the 2016-17 school year. Under that budget act, pupils may not attend a school under the program unless they were participating in the program in the 2015-16 school year, and a district can only receive integration aid for pupils who attended a school in the district under the program in the 2015-16 school year.

### **Special Adjustment Aid**

A hold harmless payment which guarantees a district will receive at least 85% of its prior year general school aid payment.

In 2017-18, 65 districts are eligible for \$14.9 million in gross special adjustment aid.

## **Equalization Aid**

- Major objective of equalization aid formula is tax base equalization.
- Principle of equal tax rate for equal per pupil expenditures.
- Minimize differences among districts' abilities to raise revenue for programs.
- Tax rate depends on level of expenditures, not property tax base.
- Low per pupil property value districts receive larger share of costs aided than high per pupil property value districts.
- In 2017-18, the district with the highest value per pupil (North Lakeland) has 45 times the value per pupil that the lowest district (Beloit) has. North Lakeland's property value per pupil is \$8,316,209 compared to Beloit's property value per pupil of \$183,385.

## **Equalization Aid Formula**

Equalization aid is calculated using school district data from the prior year.

1. Equalized Property Value
2. Shared Costs

Refers to aidable costs in the formula, not to the total expenditures of a district. Sum of the district's general and debt service funds, less costs offset by other revenue sources, such as categorical aid, federal aid, or local non-property tax revenues.

3. Pupil Membership

For most districts, membership is the average of the number of pupils enrolled on the 3rd Friday in September and the 2nd Friday in January, as well as the full-time equivalent pupils enrolled in summer school. For Milwaukee Public Schools, membership is the highest of three count dates (September and January, as for other school districts, and the first Friday in May).

4. Formula Factors

Equalization aid is calculated under a three-tiered formula. There are three guaranteed valuations used in the equalization formula that are applied to three different expenditure levels. The rate at which shared costs are aided through the formula is determined by comparing a district's per pupil property value to the three guaranteed valuations. Equalization aid is provided to make up the difference between the district's actual tax base and the state's guaranteed tax base.

**Formula Factors (2017-18 aid year)**

*Cost Ceilings*

	<u>Amount</u>	<u>How determined</u>
Primary cost ceiling	\$1,000 per pupil	Number written in statute
Secondary cost ceiling	\$9,619 per pupil	Equal to 90% of prior year's statewide average shared cost per pupil

*Tiers*

	<u>Costs aided on the tier</u>
Primary tier	First \$1,000 per pupil
Secondary tier	\$1,001 to \$9,619 per pupil
Tertiary tier	Over \$9,619 per pupil

*Guarantees*

	<u>Amount</u>	<u>How determined</u>
Primary guarantee	\$1,930,000 per pupil	Number written in statute
Secondary guarantee	\$1,172,875 per pupil	Set at the amount that distributes the available funding
Tertiary guarantee	\$573,439 per pupil	Equal to statewide average property value per pupil

**Classification of Districts by Property Value**

A district's position in the aid formula is largely determined by its property value per pupil.

The state guarantees generally determine a district's aid category, although there are exceptions based on a district's shared cost.

**General Aid Categories for 2017-18 Aid Year**

<u>Property value per pupil</u>	<u>Aid category</u>	<u>Number of districts</u>
Less than \$573,439 (statewide average)	Positive aid	249*
\$573,439 to \$1,172,875	Negative tertiary aid	116
\$1,172,875 to \$1,930,000	Primary aid hold harmless	36
More than \$1,930,000	No equalization aid	21

\*Includes nine school districts with property value per pupil greater than \$573,439 with no tertiary costs that receive positive aid on their secondary costs.

## Categorical Aids

- Funding provided for specific purposes or programs.
- Not subject to revenue limits.
- Can be distributed on a cost reimbursement basis (special education), on a per pupil basis (pupil transportation), or through a grant application process (peer review and mentoring).
- Categorical aid funding will total \$1,029.5 million in 2017-18 and \$1,219.8 million in 2018-19.

- Major categorical aid programs:

a. *Per Pupil Aid (\$378.2 million GPR in 2017-18 and \$549.1 million GPR in 2018-19).* A per pupil payment calculated based on each district's three-year rolling average pupil count under revenue limits. Payments will be equal to \$450 per pupil in 2017-18 and \$654 per pupil in 2018-19.

b. *Special Education (\$368.9 million GPR in 2017-18 and 2018-19).* Reimbursement for school districts, charter schools, Cooperative Educational Services Agencies (CESAs), and County Children with Disabilities Education Boards (CCDEBs) for a portion of certain allowable costs related to services for children with disabilities. Payments are prorated (est. 25.7% in 2017-18).

c. *Achievement Gap Reduction Program (\$109.2 million GPR in 2017-18 and 2018-19).* Approximately \$2,250 per low-income pupil enrolled in grades K-3 in schools that enter into five-year contracts with DPI to implement strategies to reduce achievement gaps. The program was previously known as the Student Achievement Guarantee in Education (SAGE) program.

d. *Pupil Transportation (\$24.0 million GPR in 2017-18 and 2018-19).* Aid to school districts or independent charter schools based on a flat, annual amount per transported pupil. The amount varies according to the distance that each pupil is transported to school, as shown below.

<u>Distance</u>	<u>Full Year</u>
0 - 2 miles (hazardous areas)	\$15
2 - 5 miles	35
5 - 8 miles	55
8 - 12 miles	110
12 miles and over	365

e. *Sparsity Aid (\$18.5 million in 2017-18 and \$18.8 million in 2018-19).* Aid equal to \$300 per pupil for school districts that met the following criteria in the prior school year: (a) enrollment of less than 745 pupils; and (b) a population density of less than 10 pupils per square mile of district attendance area. Payments may be prorated (98.8% in 2017-18).

## **LFB Publications**

### **Informational Papers** ([https://docs.legis.wisconsin.gov/misc/lfb/informational\\_papers](https://docs.legis.wisconsin.gov/misc/lfb/informational_papers))

Local Government Expenditure and Revenue Limits (Informational Paper 12)

State Aid to School Districts (Informational Paper 24)

Private School Choice Programs (Informational Paper 25)

Open Enrollment Program (Informational Paper 26)

Charter Schools (Informational Paper 27)

Pupil Assessment (Informational Paper 28)

Statutory Requirements for School Districts (Informational Paper 29)

School District Reorganization (Informational Paper 30)

### **Annual Memos** (<https://docs.legis.wisconsin.gov/misc/lfb/misc> -- under "Education" heading)

Estimated State Support for School Districts (2016-17)

General School Aids Amounts for All School Districts (2017-18)