



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

D

May 20, 1999

Joint Committee on Finance

Paper #770

### **Per Pupil Annual Revenue Increase (Public Instruction -- Revenue Limits)**

[LFB 1999-01 Budget Summary: Page 486, #2]

#### **CURRENT LAW**

School district revenue limits restrict the amount of revenues that school districts can obtain through the combination of general school aids and the property tax levy. On October 15 of each year, the Department of Public Instruction (DPI) provides school districts with an estimate of their general school aids for the current year. The difference between a school district's revenue limit and the October 15 general school aids estimate determines the maximum amount of revenue that the district is allowed to raise through the property tax levy. Actual general school aids and property tax revenues received in the prior school year are used to establish the base year amount in order to compute the allowable revenue increase for the current school year.

A three-year rolling average of a school district's pupil enrollment is used to determine the allowable revenue increase under the limit. Specifically, 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 1995, 1996 and 1997 September memberships was used to calculate the 1997-98 base year revenues per pupil. Then, the average of the 1996, 1997 and 1998 September memberships is used to determine the allowable revenue increase in 1998-99.

A per pupil revenue increase is added to the base revenue per pupil to determine an allowable per pupil revenue increase. In 1998-99, the per pupil increase is \$208.88. The per pupil adjustment amount is indexed for inflation, by multiplying the prior year dollar amount by the percentage change in the consumer price index between the preceding March and the second preceding March.

## GOVERNOR

Delete the inflation adjustment to the per pupil revenue increase amount, beginning in the 1999-00 school year. Provide that the annual per pupil adjustment would remain at the 1998-99 level, which is \$208.88. Provide that the \$208.88 adjustment would also apply to school districts that reorganize. Staff at DOA estimates that this would reduce the cost of funding two-thirds of partial school revenues by approximately \$1,800,000 GPR in 1999-00 and \$5,500,000 GPR in 2000-01 compared to estimates of current law.

## DISCUSSION POINTS

1. The annual per pupil allowable revenue increase under revenue limits has undergone several modifications since the onset of revenue limits in 1993-94. 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%. The increase was set at \$200 in 1995-96 and \$206 in 1996-97 and the flat dollar amount was no longer adjusted for inflation and a school district no longer had the option to use the inflation rate to determine its maximum allowable increase. Under 1997 Act 27, the per pupil increase was fixed at \$206 in 1997-98 and adjusted for inflation to reach \$208.88 in 1998-99. The following table provides a history of the per pupil revenue limit adjustment amount and shows the proposed amounts under AB 133.

### Allowable Revenue Increase

|         | <u>Per Pupil</u> | <u>Inflation Rate</u> |
|---------|------------------|-----------------------|
| 1993-94 | \$190.00         | 3.2%                  |
| 1994-95 | 194.37           | 2.3                   |
| 1995-96 | 200.00           | N.A.                  |
| 1996-97 | 206.00           | N.A.                  |
| 1997-98 | 206.00           | N.A.                  |
| 1998-99 | 208.88           | N.A.                  |

### AB 133

|         |        |      |
|---------|--------|------|
| 1999-00 | 208.88 | N.A. |
| 2000-01 | 208.88 | N.A. |

2. The flat dollar amount increase, rather than an inflationary per pupil increase, has been maintained because 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 \$208.88 increase represents a greater increase as a percent of the base for a district with lower allowable revenues per pupil than for a district with higher revenues per pupil. Under 1997 Act 27, the Legislature established an inflationary increase to the flat dollar amount as a method for enhancing this reduction in the disparity in revenue per pupil among school districts.

3. The Department of Revenue indicates that the actual March 1998 to March 1999 inflation increase was 1.7% and is estimating a 2% inflation rate from March 1999 to March 2000. Based on these figures, under current law, the annual per pupil revenue limit increase would rise from \$208.88 in 1998-99 to \$212.43 in 1999-00 and \$216.68 in 2000-01.

4. Based on the most recent enrollment and base revenue projections under the bill, in 1999-00, it is estimated that the \$212.43 per pupil increase would provide a statewide per pupil revenue increase of approximately 3.09%, ranging from a per pupil increase of 1.71% for the highest revenue district to a 3.60% per pupil increase for the lowest revenue district, when districts eligible for a low revenue adjustment are excluded. The \$208.88 per pupil increase recommended by the Governor would provide an estimated statewide per pupil revenue increase of 3.03%, ranging from an increase of 1.68% for the highest revenue district to a 3.54% increase for the lowest revenue district, excluding low revenue adjustment districts.

In 2000-01, it is estimated that the \$216.68 per pupil increase would provide a statewide revenue per pupil increase of approximately 3.04%, ranging from an increase of 1.72% for the highest revenue district to a 3.55% increase for the lowest revenue district. The \$208.88 per pupil increase recommended by the Governor would provide an estimated statewide per pupil revenue increase of 2.93%, ranging from an increase of 1.65% for the highest revenue district to a 3.42% increase for the lowest revenue district.

5. It may be desirable to maintain the current law inflationary increase in order to accelerate a decline in the per pupil revenue disparity among school districts. Additionally, it could be argued that certain school district expenditure categories, such as special education, staff contracts and school building maintenance, require an increasing rather than a fixed per pupil revenue increase. For example, it has been argued that the qualified economic offer (QEO) provision could permit a 3.8% increase to new teacher compensation packages, while the \$208.88 per pupil revenue limit adjustment would allow for only a 3.03% and 2.93% annual statewide revenue increase per pupil. Further, a stagnant per pupil revenue increase would provide a declining rate of revenue increases over time. Finally, a higher per pupil revenue limit increase may help moderate the effects of revenue limit decreases attributable to declining enrollment.

6. On the other hand, it may be desirable to maintain the current per pupil annual increase under revenue limits, as \$208.88 already provides a per pupil revenue increase of more than the estimated inflation rates for the upcoming biennium. The change in the CPI-U for 1999-00 and 2000-01 is estimated to be 2.2% and 2.5% respectively. As noted above, the \$208.88 annual increase provides an estimated statewide increase of 3.03% in 1999-00 and 2.93% in 2000-01. If a school district needs revenues outside of its revenue limit, it can propose a referendum to voters that would allow the district to exceed the revenue limit for recurring or non-recurring purposes.

7. Based on more current inflation estimates and school district enrollment data, in order to maintain two-thirds funding of partial school revenues, the Governor's recommendation to maintain the per pupil annual revenue limit increase at \$208.88 would be re-estimated by -\$200,000 GPR in 1999-00 and \$1,000,000 GPR in 2000-01, for a net fiscal effect of -\$2,000,000 GPR in 1999-00 and -\$4,500,000 GPR in 2000-01. This reestimate is reflected in the projected costs of meeting the goal of two-thirds funding of partial school revenues. Finally, in order to maintain two-thirds funding of partial school revenues, if the Committee would maintain current law, \$2,000,000 GPR and \$4,500,000 GPR would need to be added to general school aids in 1999-00 and 2000-01 respectively, to restore the funding deleted in the budget bill.

## ALTERNATIVES

1. Approve the Governor's recommendation to delete the inflationary increase to the annual per pupil revenue limit increase and maintain it at \$208.88.
2. Maintain current law. Provide \$2,000,000 GPR in 1999-00 and \$4,500,000 GPR in 2000-01 in general school aids in order to maintain two-thirds funding of partial school revenues by restoring the funding deleted in the bill.

| <u>Alternative 2</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | \$6,500,000 |

Prepared by: Ruth Hardy

**(Gov) Agency:** DPI -- Declining Enrollment Hold Harmless

**Recommendations:**

**Paper #771:** Alternative A1

**Comments:** A 3-year rolling average of enrollment is used to determine a district's allowable revenue increase. This cushions the blow for districts losing students.

The governor would allow continuation of a temporary fix enacted in 88-89, which allows 75% of the decline in the three-year rolling average to be considered in calculating allowable revenue.

WEAC, WASB and DPI all agree on A1. The latter two would also add B1 to the motion.

**Motion:** Shibilski is expected to offer a motion supporting the governor's proposal but using a 5-year average rather than a 3-year average.

Prepared by: Bob



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May 20, 1999

Joint Committee on Finance

Paper #771

### **Declining Enrollment Hold Harmless (DPI -- Revenue Limits)**

[LFB 1999-01 Budget Summary: Page 486, #1]

#### **CURRENT LAW**

School district revenue limits restrict the amount of revenues that school districts can obtain through the combination of general school aids and the property tax levy. On October 15 of each year, the Department of Public Instruction (DPI) provides school districts with an estimate of their general school aids for the current year. The difference between a school district's revenue limit and the October 15 general school aids estimate determines the maximum amount of revenue that the district is allowed to raise through the property tax levy.

A three-year rolling average of a school district's pupil enrollment is used to determine the allowable revenue increase under the limit. Specifically, 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 1995, 1996 and 1997 September memberships was used to calculate the 1997-98 base year revenues per pupil. Then, the average of the 1996, 1997 and 1998 September memberships is used to determine the allowable revenue increase in 1998-99.

In 1988-99, a one-year, non-recurring revenue limit adjustment is provided to school districts that lose enrollment based on a comparison of the current and preceding three-year rolling average enrollment. This adjustment, which only applies to 1998-99, is a dollar amount equal to the allowable revenues that 75% of the decline in the three-year rolling average membership would have generated.

## GOVERNOR

Extend the current law 75% declining enrollment hold-harmless provision that only applies to revenue limits calculated for the 1998-99 school year to make it permanent. Staff at DOA estimate that this provision would increase the cost of funding two-thirds of partial school revenues by approximately \$10.4 million GPR in 1999-00 and \$13.5 million GPR in 2000-01 compared to estimates of current law. As a change to the bill, DOA estimates that this provision would increase costs by \$12.4 million in 1999-00 and \$21.0 million in 2000-01.

## DISCUSSION POINTS

1. Under 1997 Act 27 (the 1997-99 budget), if a school district's three-year rolling average enrollment declined by more than 2% compared to the prior year three-year rolling average, then its allowable maximum revenues was calculated as if the decrease had been 2%, effective only for 1997-98. As calculated by DPI, a total of 19 school districts were affected by this provision. The 75% declining enrollment hold-harmless provision provided in 1998-99 affected an estimated 166 school districts, increasing total partial school revenues by approximately \$9.6 million.

2. The number of school districts with declining enrollments is expected to steadily increase over the next several years in Wisconsin, as statewide demographic projections indicate an overall enrollment decrease. Including all of the Governor's recommendations that affect school district revenue limits and enrollments, an estimated 181 school districts in 1999-00 and 186 school districts in 2000-01 would be eligible for a declining enrollment revenue limit adjustment. These adjustments would increase partial school revenues by approximately \$17.9 million in 1999-00 and \$26.3 million in 2000-01, which would increase the cost of funding two-thirds of partial school revenues by \$11.9 million and \$17.5 million respectively. This reestimate is reflected in the projected costs of meeting the goal of funding two-thirds of partial school revenues. These estimates include a declining enrollment adjustment for the Milwaukee Public Schools of approximately \$2.8 million in 1999-00 and \$6.2 million in 2000-01 due to the Governor's recommendations which would reduce interdistrict transfer "sender aid" and delete the inclusion of Milwaukee parental choice and charter school pupils in MPS's enrollment.

3. Enrollment changes under revenue limits are figured based on a three-year rolling average. This is intended to cushion the effects of declining enrollments and control the effects of increasing enrollments. In other words, a school district will not undergo the full impact of gaining or losing a pupil until the third year of the pupil's arrival or departure. This allows school districts to gradually reduce the costs of programs before having to completely adjust to a lower enrollment base. However, school districts with declining enrollments argue that the revenue limit calculation forces them to reduce revenues at a rate and magnitude that exceeds their capacity to reduce costs.

4. Several small school districts have indicated that they have reduced programs and costs to the point where no further reductions are possible. In some cases, districts claim that their financial situation is so dire due to declining enrollments that they may be forced to cease

operations. While school districts in this situation could consolidate with other nearby school districts, reorganization may not be an option for some school districts that already encompass a large area. School districts with declining enrollments assert that a declining enrollment revenue limit adjustment is critical to maintaining a quality educational program in many areas of the state.

5. On the other hand, it could be argued that when school district enrollments decline, local taxpayers should be provided with a property tax reduction and state taxpayers should be able to benefit from a reduction, or a least a leveling off, of the cost of two-thirds funding. Further, if some school districts are in such dire straits, there may be other factors contributing to the financial dilemma of the districts and drastic measures, such as major reorganization, may be appropriate.

6. It has been argued that a declining enrollment adjustment should be provided as a recurring revenue limit exemption which would be included in the base revenues for determining school district revenue limits in the following year, rather than as a non-recurring exemption that is not figured into the permanent base revenues for a district. A recurring exemption would permit declining enrollment school districts to build a more generous revenue base than otherwise would be possible and could assist in preventing further financial difficulties. On the other hand, it could be argued that declining enrollment exemptions should be provided to cushion the effects of an enrollment decline, but that shrinking school districts should be forced to reduce costs, over time, to a level more compatible with a smaller enrollment base. In addition, a recurring revenue limit adjustment would permit school districts whose three-year average enrollment moves up and down annually to build a larger base than a school district whose three-year average enrollment remains steady. Finally, while the difference between the fiscal effect of a recurring and non-recurring revenue limit exemption could be limited during the 1999-01 biennium, the difference in future years would continue to increase. If the Committee wishes to provide a recurring adjustment at no additional cost in the 1999-01 biennium, it could specify that any declining enrollment adjustment would be nonrecurring in 1999-00 and recurring beginning in 2000-01.

7. Arguably, if school districts with declining enrollments are not able to reduce costs at the rate that revenue limits force them to lose revenue, then school districts with increasing enrollments are not likely adding costs at the rate that revenue limits allow them to gain revenue. In other words, the marginal cost difference of adding or subtracting one pupil is not the equivalent of the average per pupil revenue that is gained or lost under revenue limits. In order to provide a marginal cost revenue limit adjustment to both declining and increasing districts, the Committee could provide a positive non-recurring revenue limit adjustment equivalent to 50% of the amount of the decline and a negative non-recurring revenue limit adjustment equivalent to 50% of the amount of the increase. This proposal would decrease the net cost of providing assistance to declining enrollment districts and would continue to permit revenues for growing districts to increase, but at a slower rate.

8. Under this alternative and including all of the recommendations under the Governor's budget proposal, in 1999-00, 181 declining enrollment school districts would qualify for a positive revenue limit adjustment totaling \$12.0 million; 233 increasing enrollment districts would qualify for a negative revenue limit adjustment totaling -\$21.7 million; and 12 districts with



unchanging enrollments would not be affected. In 2000-01, 186 declining enrollment school districts would qualify for a positive revenue limit adjustment totaling \$17.5 million; 224 increasing enrollment districts would qualify for a negative revenue limit adjustment totaling -\$17.8 million; and 16 districts with unchanging enrollments would not be affected. Compared to the reestimated effects of the bill, the net fiscal effect of this alternative under the bill would be to decrease partial school revenues by \$27.6 million in 1999-00 and \$26.6 million in 2000-01; therefore, the cost of funding two-thirds of partial school revenues would decrease by \$18.4 million GPR in 1999-00 and \$17.8 million GPR in 2000-01.

9. Alternatively, if the Committee wishes to provide less of a negative revenue limit adjustment to increasing enrollment districts, it could provide a positive non-recurring revenue limit adjustment equivalent to 50% of the amount of the decline and a negative non-recurring revenue limit adjustment equivalent to 25% of the amount of the increase. Under this alternative and including all of the recommendations under the Governor's budget proposal, in 1999-00, 181 declining enrollment school districts would qualify for a positive revenue limit adjustment totaling \$12.0 million; 233 increasing enrollment districts would qualify for a negative revenue limit adjustment totaling -\$10.9 million; and 12 districts with unchanging enrollments would not be affected. In 2000-01, 186 declining enrollment school districts would qualify for a positive revenue limit adjustment totaling \$17.5 million; 224 increasing enrollment districts would qualify for a negative revenue limit adjustment totaling -\$8.9 million; and 16 districts with unchanging enrollments would not be affected. Compared to the reestimated effects of the bill, the net fiscal effect of this alternative would be to decrease partial school revenues by \$16.8 million in 1999-00 and \$17.7 million in 2000-01; therefore, the cost of funding two-thirds of partial school revenues would decrease by \$11.2 million GPR in 1999-00 and \$11.8 million GPR in 2000-01.

10. If the Committee would like to provide a declining enrollment adjustment for school districts at a lower rate than recommended by the Governor, but not make a negative adjustment for increasing enrollment districts, a 50% declining enrollment hold harmless could be provided as a non-recurring revenue limit exception. In 1999-00, 181 declining enrollment districts would qualify for an adjustment totaling \$12.0 million, and in 2000-01, 186 districts would qualify for an adjustment totaling \$17.5 million. Compared to the Governor's estimates, the net fiscal effect of this alternative under the bill would be to decrease to partial school revenues by \$5.9 million in 1999-00 and \$8.8 million in 2000-01; therefore, the cost of funding two-thirds of partial school revenues would decrease by \$4.0 million GPR in 1999-00 and \$5.9 million GPR in 2000-01.

## **ALTERNATIVES**

### **A. Declining Enrollment Adjustment**

1. *75% Declining Enrollment Adjustment.* Approve the Governor's recommendation to extend the current law 75% declining enrollment hold harmless provision as a non-recurring revenue limit exemption.

2. *50% Declining Enrollment Adjustment.* Delete the Governor's recommendation and instead provide a positive non-recurring revenue limit adjustment equivalent to 50% of the amount of a three-year rolling average enrollment decline. Delete \$4.0 million GPR in 1999-00 and \$5.9 million GPR in 2000-01 from general school aids to adjust two-thirds funding of partial school revenues.

| <u>Alternative A2</u>            | <u>GPR</u>    |
|----------------------------------|---------------|
| 1999-01 FUNDING (Change to Bill) | - \$9,900,000 |

3. *50% Positive Declining Enrollment Adjustment and 25% Negative Increasing Enrollment Adjustment.* Delete the Governor's recommendation and instead provide a positive non-recurring revenue limit adjustment equivalent to 50% of the amount of a three-year rolling average enrollment decline and a negative non-recurring revenue limit adjustment equivalent to 25% of the amount of three-year rolling average enrollment increase. Delete \$11.2 million GPR in 1999-00 and \$11.8 million GPR in 2000-01 from general school aids to adjust two-thirds funding of partial school revenues.

| <u>Alternative A3</u>            | <u>GPR</u>     |
|----------------------------------|----------------|
| 1999-01 FUNDING (Change to Bill) | - \$23,000,000 |

4. *50% Positive Declining Enrollment Adjustment and 50% Negative Increasing Enrollment Adjustment.* Delete the Governor's recommendation and instead provide a positive non-recurring revenue limit adjustment equivalent to 50% of the amount of a three-year rolling average enrollment decline and a negative non-recurring revenue limit adjustment equivalent to 50% of the amount of three-year rolling average enrollment increase. Delete \$18.4 million GPR in 1999-00 and \$17.8 million GPR in 2000-01 from general school aids to adjust two-thirds funding of partial school revenues.

| <u>Alternative A4</u>            | <u>GPR</u>     |
|----------------------------------|----------------|
| 1999-01 FUNDING (Change to Bill) | - \$36,200,000 |

5. *No Declining or Increasing Enrollment Adjustment.* Maintain current law. Delete \$11.9 million GPR in 1999-00 and \$17.5 million GPR in 2000-01 from general school aids to adjust two-thirds funding of partial school revenues.

| <u>Alternative A5</u>            | <u>GPR</u>     |
|----------------------------------|----------------|
| 1999-01 FUNDING (Change to Bill) | - \$29,400,000 |

**B. Recurring or Nonrecurring**

Modify the alternative under A so that the declining enrolment adjustment would be nonrecurring in 1999-00, but then would be provided on a recurring basis beginning in 2000-01 and thereafter.

Prepared by: Ruth Hardy

**(Gov) Agency:** DPI -- School District Revenue Limits -- Low Revenue Adjustment

**Recommendations:**

**Paper #772:** Alternative 1 and 2

**Comments:** The governor would clamp the current \$6,100 per pupil ceiling on the low revenue adjustment, which was intended to decrease the disparity between low- and high-revenue districts.

Alternatives 1 and 2 increase the ceiling to \$6,300 in 99-00 and \$6,500 in 00-01.

WEAC, WASB and DPI are united on this one.

Prepared by: Bob



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May 20, 1999

Joint Committee on Finance

Paper #772

### School District Revenue Limits -- Low Revenue Adjustment (DPI -- Revenue Limits)

#### CURRENT LAW

In the 1995-97 biennium, any school district with a "base revenue" per pupil for the prior school year that was less than a revenue ceiling of \$5,300 in 1995-96 and \$5,600 in 1996-97 was allowed to increase its revenues up to the ceiling. In 1997 Act 27 (the 1997-99 budget), this "revenue ceiling" was increased to \$5,900 in 1997-98 and \$6,100 in 1998-99 and each year thereafter.

Under this provision, base revenue per pupil is determined by: (a) calculating the sum of the district's prior year general school aid and the property tax levy (excluding debt service levies exempted from the limit); (b) dividing the sum under (a) by the average of the district's September membership for the three prior school years; and (c) adding \$206 to the result under (b) for 1997-98, and adding \$206, multiplied by the allowable rate of increase based on a March to March annual CPI-U, to the result under (b) for 1998-99 and thereafter, which is \$208.88 in 1998-99. If a school district has resident pupils who were solely enrolled in a county children with disabilities education board (CCDEB) program, costs and pupils related to that program would be factored into the district's revenues per pupil calculation.

#### GOVERNOR

Maintain the current law \$6,100 revenue ceiling.

#### DISCUSSION POINTS

1. The low-revenue adjustment for school districts with per pupil revenues below the revenue ceiling is intended to decrease the disparity between low-revenue and high-revenue school districts in the state. In 1998-99, maximum revenues per pupil, based on September, 1998, enrollments, ranged from approximately \$5,650 (North Cape) to approximately \$12,200 (Nicolet Union High School), including all exemptions and adjustments. In 1998-99, 16 school districts

were eligible to receive a low-revenue adjustment in order to bring them up to the \$6,100 revenue ceiling. Under the bill, it is estimated that two districts would fall below the revenue ceiling of \$6,100 in 1999-00 and no districts would fall below the ceiling in 2000-01. The Norris School District is excluded from consideration in this paper because it receives the majority of its funding from the federal government, and is both a residential facility and a school district.

2. All school districts benefit from the \$208.88 per pupil adjustment in 1998-99. The \$208.88 annual increase under the bill would generate allowable per pupil growth in the range of 3.4% to 3.7% above base revenues for the lowest-revenue districts in 1999-00. For the highest-revenue districts, the \$208.88 increase would generate increases of approximately 1.7% to 2.3% above base revenues.

3. In past years, annual increases of \$200 or \$300, which are approximately equivalent to the annual per pupil adjustment were provided to the revenue ceiling in order to assist low-revenue districts. The Governor's budget would not recommend an increase to the ceiling because so few districts would be affected by such an increase and because many eligible districts do not utilize the low-revenue adjustment authority, which may imply that these districts are not in need of additional revenues. In addition, inflation has been quite moderate over the biennium, with the CPI increasing by 2.3% in 1997-98 and 1.6% in 1998-99; therefore, an increase to the revenue ceiling may not be necessary.

4. On the other hand, while some eligible school districts may not utilize the low-revenue adjustment authority, a school district that in the past has not used the authority may find a need for it in the future. School districts with declining enrollments or increased costs may be in a situation where a low-revenue adjustment would be particularly advantageous for the financial stability of the district.

5. Those opposed to increasing the low-revenue adjustment would argue that while it may allow school districts with the lowest per pupil revenues to expand educational opportunities, the anticipated amount of property tax relief in these districts could be dissipated. Furthermore, they contend that even without the low-revenue adjustment, current law already allows school districts to exceed the limit through referendum and that using this option would ensure local electorate support of the district's decision to spend or tax at higher levels.

6. The Committee may wish to increase the revenue ceiling by \$200 annually in 1999-01, which would be approximately equivalent to the \$208.88 per pupil annual adjustment to revenue limits under the bill. It is estimated that five school districts would be eligible for an adjustment up to a \$6,300 ceiling in 1999-00 and in 2000-01, ten school districts would be eligible for an adjustment up to a \$6,500 ceiling. This adjustment would provide these districts with an additional 0.2% to 8.3% per pupil revenues in 1999-00 and an additional 0.1% to 14.8% per pupil revenues in 2000-01. Using the assumption that only 50% of the low-revenue authority would be utilized by the school districts eligible for an adjustment under this alternative, it is estimated that equalization aid would have to be increased by \$300,000 GPR in 1999-00 and \$1,200,000 GPR in 2000-01 in order to maintain two-thirds funding of partial school revenues.

7. In order to ensure that low revenue school districts continue to receive revenues comparable to other school districts, it may be desirable to require that in future years, the low revenue ceiling would be adjusted proportionately to the secondary cost ceiling, which is adjusted annually for inflation.

### ALTERNATIVES

1. Modify the bill by increasing the low revenue ceiling to \$6,300 in 1999-00 and \$6,500 in 2000-01. Provide \$300,000 in 1999-00 and \$1,200,000 in 2000-01 for equalization aid in order to attain an estimate of two-thirds funding of partial school revenues.

| <u>Alternative 1</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | \$1,500,000 |

2. In addition to Alternative 1, beginning in 2001-02, adjust the revenue ceiling proportionately to the secondary cost ceiling.

3. Maintain current law, which would continue to allow for low-revenue adjustments for districts with per pupil revenues below the \$6,100 revenue ceiling.

Prepared by: Ruth Hardy

**Gov Agency:** Department of Public Instruction - Special Education Program Aid - Categorical Aids

**Recommendations:**

**Paper No.:** 775 **Alternative(s):** Jauch Motion (supported by WEAC), or A1b, 2c, and 4 (WEAC didn't weigh in on any of these alternatives - MPS likes A1b & will take what they can get in A2).

**Comments:** Alternative A1b will maintain current law for Categorical Aid funding, leaving the 63% and 51% reimbursement levels in the stats. Even though we've never met this requirement, don't need to give the governor any more leverage to continue to underfund this.

Alt. A2c would increase the existing categorical aid program by 3%. It's the middle of the road choice.

MPS is concerned with both of the options in Alt. B if someone tries to offer this. Seems like a lofty goal for the committee to try & restructure the way special ed is funded in the short time it has work on this subject. Maybe something that should be drafted separately so it gets the attention it deserves.

Alt. 4 requires that CESAs CCDEBs & Charter Schools be eligible to receive aid under the new program in the same manner as the school districts.

**Jauch Motion:** *Jauch's Motion will stop the freeze on categorical aid for special education & commit to a 50% funding level in the future.*

Prepared by: Cindy





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May 20, 1999

Joint Committee on Finance

Paper #775

### Special Education Program Aid (DPI -- Categorical Aids)

[LFB 1999-01 Budget Summary: Page 488, #1]

#### **CURRENT LAW**

Under current law, each school district, cooperative educational service agency (CESA) and county children with disabilities education board (CCDEB) that maintains a special education program approved by the State Superintendent, may request reimbursement for 63% the following special education costs: (a) expenditures during the preceding year for salaries of certain current special education personnel; (b) special education transportation costs; (c) certain costs incurred by a school district during the preceding year approved by the State Superintendent for a school age parents program; and (d) expenditures during the preceding year for certain costs associated with health treatment services for children with special physical or mental health treatment needs.

Current law provides that: (a) the salaries of licensed school psychologists and school workers are reimbursed at 51% without regard to whether they are employed in a program for children with disabilities; and (b) a school district, CESA or CCDEB must include in its special education plan any information required by the State Superintendent relating to the use of a school psychologist or social worker under this provision.

In addition to the varying percentage reimbursements listed above, reimbursement is provided for the full cost of: (a) special education for children in hospitals and convalescent homes for orthopedically disabled children; (b) salary and travel expenses for special education outside the school district of employment; and (c) expenditures for board and lodging and the transportation between the boarding home and the special education program of nonresident children.

The full costs of special education for children in hospital and convalescent homes are reimbursed as a first draw on the appropriation. All other costs eligible for reimbursement are

paid with the remaining funds, up to a rate necessary to fully distribute 100% of the appropriated funding. In 1998-99, \$275,548,700 GPR is provided for special education aid.

## **GOVERNOR**

Delete the current law 63% reimbursement rate for most special education costs. Instead, to the extent funding would be provided, base reimbursement on the full costs of the following activities: (a) expenditures during the preceding year for salaries of certain current special education personnel, including licensed school psychologists and school workers working for a special education program; (b) special education transportation costs; (c) certain costs by a school district during the preceding year approved by the State Superintendent for a school age parents program; and (d) expenditures during the preceding year for certain costs associated with health treatment services for children with special physical or mental health treatment needs.

Delete current law that provides that: (a) the salaries of licensed school psychologists and school workers are reimbursed at 51% without regard to whether they are employed in a program for children with disabilities; and (b) a school district, CESA or CCDEB must include in its special education plan any information required by the State Superintendent relating to the use of a school psychologist or social worker under this provision.

Provide that costs eligible for reimbursement from the appropriations for special education and special education transportation would be reimbursed at a rate set to distribute the full amount appropriated for reimbursement of such costs, not to exceed 100%. Maintain the current law requirement that the full costs of special education for children in hospital and convalescent homes are required to be reimbursed as a first draw on the appropriation. All other costs eligible for reimbursement would be paid with the remaining funds, up to a rate necessary to fully distribute 100% of the appropriated funding. A clarification would be necessary to carry out the intent of the bill relating to the full payment of hospital and convalescent home costs.

Modify the appropriation language for aids for special education to specify that the amount appropriated would be for the payment of aid for special education and school age parents and health treatment services programs.

The bill would maintain base funding for special education aid. Provide that these provisions would first apply to state aid paid in the 1999-00 school year.

## **DISCUSSION POINTS**

1. Both state and federal law require school districts to provide special education services to pupils with disabilities. The federal Individuals with Disabilities Education Act (IDEA) and Section 504 of the Rehabilitation Act of 1973 require that all pupils with disabilities be provided with a free and appropriate public education based on their specific individual needs. Since 1973-74, Wisconsin has mandated special education services for pupils with disabilities. In May

1998, 1997 Act 164 incorporated the 1997 Amendments to IDEA into the state special education law; therefore, state and federal special education requirements are virtually synonymous.

2. Two major reports have recently been completed regarding special education costs and funding in Wisconsin. In July 1998, the State Superintendent's Special Education Funding Task Force issued recommendations related to modifying state funding for school district special education services. In May, 1999, the Legislative Audit Bureau (LAB) released a report that analyzes special education funding in light of school district revenue limits, the state's commitment to fund two-thirds of partial school revenues, increasing special education costs and enrollments, and the tension between funding for special versus regular education.

3. In 1998-99, \$275.5 million GPR is provided for special education categorical aid. Special education funding is the largest state categorical aid and represents approximately seven percent of total state aid to school districts of \$3,989.4 million and six percent of total state support for school districts of \$4,458.7 million (school aids plus the school levy tax credit) in 1998-99. State categorical aid for special education has been level funded since 1994-95, when 1993 Act 16 (the state budget act) provided a 5.4% increase from \$261.3 million in 1993-94 to the current \$275.5 million in 1994-95. In 1998-99, the categorical aid funded approximately 34% of most eligible special education costs, as opposed to the approximate, overall 63% reimbursement rate established under state law. The relevant reimbursement rates were last achieved in 1984-85, except in 1987-88 when the specific percentages were repealed for one year.

4. Officials at the State Budget Office have indicated that the Governor recommended eliminating the statutory reimbursement rates because the targets have become irrelevant due to the number of years since the state has been able to meet them. In addition, they appear to be unreachable goals given the limited amount of funding available for state categorical aids. Overall, state funding for K-12 education has increased significantly since the state's commitment to fund two-thirds of partial school revenues was initiated in 1996-97. Given this commitment, State Budget Office officials report that the Governor believes that funding increases for K-12 education should be provided through the equalization aid formula, rather than through increasing categorical aids, because the equalization aid formula provides the fairest funding methodology, aiding low-value districts at higher rates than high-value districts.

5. Based on information reported by special education consultants at DPI, the State Superintendent's Task Force, school district officials, the LAB report, parents and educators who testified during public hearings, and other special education experts, the special education finance situation can be analyzed through a discussion of the following topics: (1) special education enrollments; (2) special education costs; (3) level of state aid and funding distribution; and (4) school district revenues and revenue limits. The following is a discussion of each of these aspects of special education finance. While it offers no specific recommendations, the LAB report provides an in-depth analysis of many of these issues.

## Special Education Enrollments

6. There are 12 special education categories under which special education pupils may be identified in Wisconsin, as outlined in Table 1. In 1997-98, 113,731 pupils in Wisconsin were identified as needing special education services, of which 520 received services from entities other than school districts. In total, 113,211 were served by school districts, representing 12.8% of statewide school district enrollments. Since 1976-77, when national data was first reported to Congress, the percent of pupils identified as needing special education services has more than doubled, from 6.1% in 1976-77 to 12.5% in 1996-97, the last year for which comparable national data is available. Since 1976-77, the rate of increase in Wisconsin's special education enrollments has been the seventh highest in the nation, while the increase in regular education enrollments has been the 33<sup>rd</sup> highest. Between 1992-93 and 1997-98, the two years analyzed by the LAB, special education enrollments increased by 19.1%, while regular education enrollments increased by 6.3%.

TABLE 1

### Special Education Disability Categories

- |                           |                               |
|---------------------------|-------------------------------|
| • Autism                  | • Other Health Impaired       |
| • Cognitively Disabled    | • Emotionally Disturbed       |
| • Deaf and Blind          | • Developmental Delay         |
| • Hearing Impaired        | • Speech or Language Impaired |
| • Learning Disabled       | • Traumatic Brain Injury      |
| • Orthopedically Impaired | • Visually Impaired           |

7. Officials at DPI have been concerned that school districts may be over-identifying special education pupils and have been working with school districts to ensure proper general identification of special education pupils and specific identification among special education categories. Recently, the Department sent letters to districts explaining that pupils must be both disabled and have exceptional education needs in order to be eligible for special education, and that unless both criteria are met, pupils' needs should be addressed through regular education. In addition, DPI has been: (a) encouraging districts with above-average identification rates to examine their referral and placement process; (b) funding additional staff development projects in order to increase the ability of regular education teachers to address pupil needs; and (c) funding additional reading programs to address the needs of pupils with reading problems who may be inappropriately identified. Over-identification of special education pupils may account for the large increase in special education enrollments in the state.

8. On the other hand, the increase in special education enrollments may reflect a relative normalization in the state's identification rate, because compared to other states, Wisconsin's rate increased from one of the lowest during the 1970s to a fairly average rate during the 1990s. Wisconsin's special education identification rate ranked 45<sup>th</sup> among the states and the District of Columbia in 1976-77, moving to 26<sup>th</sup> in 1996-97.

9. Many special education professionals assert that because state and federal identification procedures are complex, it is difficult to ensure consistent identification procedures statewide, and school districts may be over-identifying special education pupils in order to be completely sure they are complying with the law. Further, as revenue limits have forced school districts to eliminate programs that could prevent the need for special education services, such as remedial, early childhood, enrichment, health education and other programs, school districts have been forced to choose between increasingly dichotomous special and regular education options.

### **Special Education Costs**

10. In 1998-99, school districts, CESAs and CCDEBs reported special education costs of approximately \$804 million for reimbursement under the state categorical aid program. These costs included only those eligible for reimbursement under the program and did not include any costs already aided through federal funds. Based on a comparison of costs between 1992-93 and 1997-98, the LAB reported that total school district special education costs increased from \$630.8 million to \$863.5 million (36.9%), while regular education costs increased from \$3,216.4 million to \$4,036.4 million (25.5%). For comparison purposes, the LAB included costs for instruction, support, transportation and miscellaneous services, but excluded overhead costs incurred for all pupils such as debt service and general administration. In addition, the LAB's analysis included all special education costs, including those not eligible for reimbursement under the state's categorical aid program, such as costs aided through federal revenues. Special education costs reflect only the cost of those additional services identified in a pupil's special education individualized education plan; the costs of regular education services provided to special education pupils are reported by districts as regular education costs.

11. While total special education costs have increased more rapidly than regular education costs, per pupil special education costs have increased at a lower rate than per pupil regular education costs. Between 1992-93 and 1997-98, statewide per pupil regular education costs increased from \$3,878 to \$4,580 (18.1%) and statewide per pupil special education costs increased from \$6,634 to \$7,627 (15%). However, per pupil cost changes varied significantly among school districts, with 96 districts incurring per pupil increases of 30% or more and 60 districts incurring decreases in per pupil special education costs. Instructional costs accounted for the largest share of the increase by category and salary and fringe benefit costs accounted for the majority of special education costs by type. The average per pupil cost increase of 15% compared to the 36.9% increase in total special education costs means that the enrollment increases discussed above are the most significant factor in overall special education cost increases.

12. School district officials argue that because of the strict state and federal requirements for providing special education services to eligible pupils, districts have a difficult time controlling special education costs. Additionally, because state and federal funding has not increased at a rate comparable to the increase in costs, school districts have not been provided with sufficient resources to meet the state and federal mandates. While an apparent solution to increasing special education costs would be reducing state mandates to provide special education services to pupils with disabilities, even if state laws were completely eliminated, federal law would continue to require

nearly identical services. In addition, legal precedent and the Wisconsin State Constitution seem to require certain state laws and support for educating pupils with special education needs.

### Special Education Funding

13. Based on the LAB's total cost analysis, total state support for school district special education costs increased from 66.9% to 75.7% between 1992-93 and 1997-98. State categorical aid includes aid to school districts, including aid to CESAs on school districts' behalf, but does not include aid to CCDEBs. Table 1 provides state support levels for the categorical aid, general school aids (equalization, special adjustment and integration aids) and the school levy tax credit, as well as a funding and percentage change for each element between 1992-93 and 1997-98.

**TABLE 2**

**Total State Support of Special Education  
Wisconsin School Districts  
(\$ in Millions)**

|  | <u>1992-93</u> | <u>1997-98</u> | <u>Funding<br/>Change</u> | <u>Percent<br/>Change</u> |
|--|----------------|----------------|---------------------------|---------------------------|
| Categorical Aid  | \$254.1        | \$270.1        | \$16.0                    | 6.3%                      |
| General School Aids  | 143.5          | 339.7          | 196.2                     | 136.7                     |
| School Levy Credit   | <u>24.6</u>    | <u>43.6</u>    | <u>19.0</u>               | <u>77.2</u>               |
| <b>Total State Support</b>                                   | <b>\$422.2</b> | <b>\$653.4</b> | <b>\$231.2</b>            | <b>54.8</b>               |
| <b>Total Special Education Funding</b>                       | <b>\$630.8</b> | <b>\$863.5</b> | <b>\$232.7</b>            | <b>36.9</b>               |
| <b>Proportion of Total Funding<br/>Provided by the State</b> | <b>66.9%</b>   | <b>75.7%</b>   |                           |                           |

Source: Legislative Audit Bureau

14. Included in the Audit Bureau's state support calculations is the state school levy tax credit (SLTC), which is used to pay a portion of each taxpayer's property tax bill. The SLTC is included in the calculation of the state's commitment to fund two-thirds of partial school revenues and therefore, is considered state support for school districts. However, because the SLTC is treated as a property tax payment once local treasurers distribute the funding to other units of government, the credit loses its identity as state support. Nonetheless, a proportionate share of the funding school districts derive from the SLTC could be viewed as funding a share of special education costs. On the other hand, because the SLTC does not increase overall school district revenues, it could be argued that the credit does not directly cover school district costs.

15. The percent of state support for individual school districts varies significantly because of the methods for distributing both equalization aid and the SLTC. Equalization aid is distributed through a three-tiered formula that provides differing levels of support at each tier, based on school district equalized value, membership and shared costs. In general, low-value per member school districts will be aided at a higher rate than high-value per member school districts. The SLTC is distributed to municipalities based on their share of statewide school levies during the three preceding years. Generally, higher-value municipalities receive more funding under the SLTC than lower-value municipalities. Therefore, funding increases under equalization aid and the SLTC do not benefit all districts equally.

16. While statewide the percent of state support for school district special education costs was 75.7% in 1997-98, individual districts support ranged from 19.2% for Geneva J4 to 93.2% for Bowler. For Geneva J4, whose equalized value per member was \$1,868,772, the majority of its state support came from the SLTC (15%) as opposed to equalization aid (4.2%). In contrast, for Bowler, whose equalized value per member was \$88,193, the majority of its state support came from equalization aid (60.1%), as opposed to the SLTC (2.3%). While Geneva J4 apparently had no costs eligible for reimbursement under the categorical aid and therefore, received no funding under the program, Bowler received 30.8% of its state support through the categorical aid program. Generally, most districts received a similar rate of support through the categorical aid program.

17. The largest source for the increase in state support for special education costs has come through equalization aid, due to the advent of the state's commitment to fund two-thirds of partial school revenues beginning in 1996-97. Prior to 1996-97, the overall state share of partial school revenues ranged from 48.4% in 1993-94 to 52.7% in 1995-96. Because of this, the LAB found that between 1992-93 and 1997-98, overall state funding was a larger percentage of total special education funding for 377 school districts, and a smaller percentage for only 35 districts (14 districts were excluded because of district consolidation or services provided by CCDEBs).

18. Due to the state's commitment to two-thirds funding, local property tax revenues funded a smaller share of special education costs, both in terms of funding level and percent of support between the years compared. Although federal funding for school district special education costs increased, federal funds represented a smaller percentage share in 1997-98 than 1992-93 due to the substantial increase in state support. While the federal government has established the goal of funding 40% of special education costs, Congress has never appropriated sufficient funding to meet this goal. In 1998-99, Wisconsin receives approximately \$80.2 million in federal IDEA funding which is distributed to school districts, CESAs, CCDEBs, the two state schools and DPI for administrative costs. Table 2 outlines school district special education funding received from state, federal and local sources in 1992-93 and 1997-98.



**TABLE 3**  
**Special Education Funding for Wisconsin School Districts**  
**(\$ in millions)**

|         | <u>1992-93</u> |  | <u>1997-98</u> |  |
|---------|----------------|--|----------------|--|
|         | <u>Funding</u> | <u>Percentage of<br/>Total Funding</u> | <u>Funding</u> | <u>Percentage of<br/>Total Funding</u> |
| State   | \$422.2        | 66.9%                                  | \$653.4        | 75.7%                                  |
| Federal | 32.6           | 5.2                                    | 42.4           | 4.9                                    |
| Local   | <u>176.0</u>   | <u>27.9</u>                            | <u>167.7</u>   | <u>19.4</u>                            |
| Total   | \$630.8        | 100.0%                                 | \$863.5        | 100.0%                                 |

Source: Legislative Audit Bureau

#### **School District Revenue Limits**

19. Since 1993-94, school districts have been subject to revenue limits, which restrict the amount of revenue that they can receive through the combination of general school aids and the local property tax levy. Revenue limits do not apply to state categorical aids, federal aid and local non-property tax receipts. The Legislature implemented revenue limits in an effort to restrict increases in local property taxes and school district costs. However, while school district surveys indicate that revenue limits have caused districts to reduce costs and eliminate programs, school districts emphasize that special education costs are difficult to control due to strict state and federal mandates for providing services.

20. Therefore, because most of the increase in funding for special education has come in the form of state equalization aid, which falls within the revenue limits, school districts assert that the combination of revenue limits, increasing special education costs, and near level categorical and federal aid has forced districts to reduce critical regular education programs in an effort to fund special education. School districts report increasing regular education class sizes, elimination of extracurricular programs and deferred building maintenance, in part due to efforts to support special education costs at the expense of regular education. Special education staff at DPI indicates that this friction between special and regular education has caused some districts to personalize the costs of special education by publicly blaming the costs associated with individual pupils receiving special education services for the elimination of other programs.

21. Because revenue limits allow the same annual increase, \$208.88 in 1998-99, for every pupil regardless of disability or cost, revenue limits do not necessarily permit revenue increases adequate enough to fund the increasing percentage of special education pupils. In addition, because revenue limit increases are based on pupil enrollments, school districts with declining



enrollments are especially constricted, particularly those districts with high-cost special education pupils.

### Special Education Funding Mechanisms

22. While the state has not met the 63% reimbursement rate for most special education costs under the categorical aid program since 1984-85, when computed based on total state support for special education costs, most school districts receive state reimbursements of more than 63% of special education costs. However, many school districts argue that the 63% target is meant to apply only to categorical aid funding and represents a commitment by the state to reimburse 63% of special education costs for all school districts, regardless of district equalized value or proportion of school levy. Additionally, they assert that because state law mandates special education services, the state should be obligated to provide proportional funding for all school districts.

23. In order to meet the 63% reimbursement rate in 1998-99, an estimated \$220 million would need to have been added to the current \$275.5 million funding level, which when offset with a reduction in general school aids to maintain two-thirds funding, would have resulted in a net increase of \$146.7 million. Given the current amount of state funding already committed to fund K-12 education, the 63% reimbursement rate may be an unreasonable target. Additionally, both the LAB and State Superintendent's Task Force report that the majority of school districts statewide favored a change in the method utilized to fund special education costs. The Audit Bureau found that over 70% of the district administrators that responded to an LAB survey indicated dissatisfaction with the current categorical aid formula. Sixty-two percent of respondents were supportive of changes recommended by the Task Force; however, such support declined to 12% of respondents if the change meant a decrease in aid for their district.

24. The Task Force recommended deleting the current special education categorical aid program and replacing it with a funding mechanism that would: (a) reimburse school districts for 90% of the special education costs above a threshold amount determined for each pupil special education identification category; (b) provide a revenue limit exception equal to per pupil costs above average costs, but below threshold costs for each pupil category; and (c) distribute any remaining funding based on various types of pupil counts. Additional Task Force recommendations focused on allowing flexibility in the use of state funding, staff professional development, school district enrollment and service issues, guaranteed funding increases and methods for enabling school districts to exceed the revenue limit for special education costs.

25. The Center for Special Education Finance, which is a national policy research organization funded primarily through the U.S. Department of Education, has completed several analyses of various special education funding models. There are four basic models used by the 50 states for distributing state special education aid to school districts: (a) *resource-based*, which provides funding based on specific education resources, such as teachers or classroom units; (b) *flat grant*, which is a fixed funding amount per school, pupil or other unit; (c) *percent reimbursement*, which allocates funding based on a percentage of allowable or actual expenditures; and (d) *pupil weights*, which distributes funding based on two or more categories of pupil-based funding for

special education, expressed as a multiple of regular education aid, such as a hearing-impaired pupil being weighted as 1.5 pupil for general aid purposes.

26. The Attachment provides an assessment of the strengths and weaknesses of each model, based on information from the LAB report and the Center for Special Education Finance. However, the strengths and weaknesses of each of these models depends on the specific policy goals established by a state as well as the relationship between special education funding and the larger school finance situation in a state. For example, revenue limits may add to the weaknesses or strengths of a funding mechanism depending on if the goal is to provide funding inside (through general aids) or outside (via a categorical aid or a revenue limit exception) the revenue limits. Additionally, if a goal is to provide funding to school districts based on the ability to raise local revenues for educational programs, each of the four major funding models could be adjusted to take into consideration school district equalized values, by providing additional support for low-value school districts.

27. The dissatisfaction with the special education funding mechanism expressed by school districts in Wisconsin is not unique. Based on the most recent survey data available, 76% of the states indicated dissatisfaction with their special education funding model. Of the four models outlined above, 10 states (20%) use a resource-based model; 10 states (20%) use a flat grant; 11 states (22%), including Wisconsin, use a percent reimbursement model; and 19 states (38%) use a pupil weighting model.

#### **Funding Mechanisms for Wisconsin**

28. Given the combination of revenue limits, five years of level categorical aid funding for special education, and increasing special education costs and enrollments, merely changing the mechanism through which special education aid is distributed would not likely adequately address the concerns expressed by school districts, special education experts and parents of children with disabilities. In addition, due to the sentiment for a hold-harmless provision for any funding changes, it may be desirable to leave intact the current appropriation, funding level and cost reimbursement model for special education, and provide additional funding in a separate categorical aid program that is distributed via another mechanism.

29. While several proposals have suggested a revenue limit exception for special education costs not aided under the current special education categorical aid program, it may be more desirable to provide increased categorical aid funding for targeted special education pupils or costs. Because categorical aid funding is already outside of the revenue limits, such funding would address some of the revenue limit concerns expressed by school districts and may allow the state to more easily monitor special education costs and expenditures. Additionally, because both categorical aid funding and a revenue limit exception would increase partial school revenues, a revenue limit exception or categorical aid of the same amount would require the same increase to two-thirds funding. For example, a revenue limit exception or categorical aid program funded at \$10 million would require a net amount of \$6.7 million of state funding.

30. In responding to the LAB survey, most school district administrators favored two funding distribution methods for Wisconsin. Sixty-seven percent indicated some support for a pupil-weighting formula and 62% expressed some support for a high-cost pupil model. Following is an outline of alternatives for both of these methods.

31. *Pupil Weighting Alternative.* One method for providing additional special education categorical aid would be to distribute funding based on weighting pupils based on the twelve disability categories established under state law, with more costly disability categories awarded greater weights. Such a weighting system could address concerns that certain pupils with disabilities are more costly to educate than others.

32. It is difficult to determine an appropriate means by which to weight pupils by disability category. The LAB offered no recommendations and the Task Force suggested that DPI should determine the weighting factors. While clearly pupils with severe disabilities are more costly to educate than pupils with milder disabilities, it may be most appropriate to require DPI to determine proper pupil disability weights through the rulemaking process. The special education staff at DPI is trained in the area of educating pupils with disabilities and would be able to consult with school districts and other special education experts throughout the process. Legislators would be able to approve DPI's weighting system or make modifications when the rules come before the Joint Committee for Review of Administrative Rules. In order to ensure that such rules are completed in time to distribute funding in 1999-00, it may be desirable to permit DPI to establish the initial rules through the emergency rulemaking process.

33. This type of funding model would provide school districts with flexibility in the use of funds, and is based on the relative costs of educating certain pupils. On the other hand, pupil-weighting models are the most likely funding mechanism to provide an unintended incentive to over-identify or misclassify pupils to disability categories receiving higher reimbursement rates. Because Wisconsin school districts may have a tendency to over-identify special education pupils currently, it may be more desirable to provide additional funding through another mechanism.

34. *High Cost Percentage Reimbursement Alternative.* An alternative to a pupil weighting model would be to implement a variation of the recommendation offered by the Task Force. Under this alternative, school districts would be reimbursed for 90% of the per pupil costs which exceed three times the district's average regular education costs per pupil. Any costs not reimbursed under this formula could be aided under the current law categorical aid program or the equalization aid formula. An example of the calculation of this cost reimbursement follows:

- a. Regular education cost per pupil = \$4,000;
- b. High-cost special education pupil cost = \$20,000;
- c. Costs Aided =  $\$20,000 - (3 \times \$4,000) = \$8,000$ ;
- d. Aid =  $90\% \times \$8,000 = \$7,200$ .

35. Task Force members believed that high-cost pupils have such a singular effect on

school district budgets that a high level of state support is justified. Such targeted funding could also assist school districts that are most adversely affected by increasing special education costs, although it may also provide an incentive to shift costs to certain high-cost pupils. It is not possible, however, to estimate accurately how categorical aid distribution would be affected by this alternative because there is no reliable information on the number or cost of high-cost pupils by district or statewide. School district administrator responses to the LAB survey questions concerning the number or high-cost pupils in their districts were inconsistent and could not be used to make reliable projections. Task Force members and DPI staff estimate that high-cost pupils would account for ten percent or fewer of all special education pupils, but estimates about the cost of such pupils is not available.

### **Funding Level for New Categorical Aid**

36. In order to provide additional funding at a level that could address some of the concerns related to funding for special education costs, the Committee could provide funding increases equivalent to 5%, 7.5% or 10% annual funding increases. As an example, the Committee could provide \$13.8 million in 1999-00 and \$28.2 million in 2000-01, which is equivalent to a five percent annual increase in funding for special education categorical aid. In order to maintain two-thirds funding of partial school revenues, the Committee could reduce funding for general school aids by \$4.6 million in 1999-00 and \$9.4 million in 2000-01. Therefore, the net fiscal effect would be \$9.2 million in 1999-00 and \$18.8 million in 2000-01.

37. Finally, in order to ensure that most special education pupils in the state are served by increased funding for special education aid, it may be desirable to specify that CESAs, CCDEBs and charter schools established by the City of Milwaukee, UW-Milwaukee (UWM) and the Milwaukee Area Technical College (MATC) would be eligible to receive aid under the new program in the same manner as school districts.

## **ALTERNATIVES**

### **A. Existing Categorical Aid Program**

#### *1. Cost Reimbursement Percentage Levels for Existing Categorical Aid Funding*

a. Approve the Governor's recommendation to delete the 63% and 51% reimbursement levels for certain special education costs under the current special education categorical aid program. Include a clarification to ensure that the full costs of special education for children in hospital and convalescent homes are reimbursed as a first draw on the appropriation.

b. Maintain current law.

2. *Funding Level*

Provide additional funding under the existing categorical aid program, with one of the following funding amounts:

|    | %               | GPR Funding for             |                | General School    |                | Net                     |                | Biennial       |
|----|-----------------|-----------------------------|----------------|-------------------|----------------|-------------------------|----------------|----------------|
|    |                 | <u>Existing Categorical</u> |                | <u>Aid Offset</u> |                | <u>Funding Increase</u> |                |                |
|    | <u>Increase</u> | <u>1999-00</u>              | <u>2000-01</u> | <u>1999-00</u>    | <u>2000-01</u> | <u>1999-00</u>          | <u>2000-01</u> | <u>1999-01</u> |
| a. | 1%              | \$2,755,500                 | \$5,538,500    | -\$918,500        | -\$1,846,200   | \$1,837,000             | \$3,692,300    | \$5,529,300    |
| b. | 2%              | 5,511,000                   | 11,132,200     | -1,837,000        | -3,710,700     | 3,674,000               | 7,421,500      | 11,095,500     |
| c. | 3%              | 8,266,500                   | 16,781,000     | -2,755,500        | -5,593,700     | 5,511,000               | 11,187,300     | 16,698,300     |
| d. | 4%              | 11,021,900                  | 22,484,700     | -3,674,000        | -7,494,900     | 7,347,900               | 14,989,800     | 22,337,700     |
| e. | 5%              | 13,777,400                  | 28,243,700     | -4,592,500        | -9,414,600     | 9,184,900               | 18,829,100     | 28,014,000     |

**B. New Categorical Aid Program**

1. *Pupil Weighting Mechanism*

Specify that special education pupils would be weighted based on the disability categories established under state law, with more costly disability categories awarded greater weights. Require DPI to determine proper pupil disability weights through the rulemaking process. Permit DPI to establish the initial rules through the emergency rulemaking process. Specify that this funding would be provided in a new, sum certain GPR appropriation.

2. *High-Cost Pupil Reimbursement*

Reimburse school districts for 90% of the per pupil special education costs which exceed three times the district's average regular education costs per pupil. Specify that this funding would be provided in a new, sum certain GPR appropriation.

3. *Funding Level*

|    | %               | GPR Funding for            |                | General School    |                | Net                     |                | Biennial       |
|----|-----------------|----------------------------|----------------|-------------------|----------------|-------------------------|----------------|----------------|
|    |                 | <u>New Categorical Aid</u> |                | <u>Aid Offset</u> |                | <u>Funding Increase</u> |                |                |
|    | <u>Increase</u> | <u>1999-00</u>             | <u>2000-01</u> | <u>1999-00</u>    | <u>2000-01</u> | <u>1999-00</u>          | <u>2000-01</u> | <u>1999-01</u> |
| a. | 5%              | \$13,777,400               | \$28,243,700   | -\$4,592,500      | -\$9,414,600   | \$9,184,900             | \$18,829,100   | \$28,014,000   |
| b. | 7.5%            | 20,666,200                 | 42,882,300     | -6,888,700        | -14,294,100    | 13,777,500              | 28,588,200     | 42,365,700     |
| c. | 10%             | 27,554,900                 | 57,865,300     | -9,185,000        | -19,288,400    | 18,369,900              | 38,576,900     | 56,946,800     |

#### 4. CESA, CCDEB and Charter School Eligibility

Specify that CESAs, CCDEBs and charter schools established by the City of Milwaukee, UWM and MATC would be eligible to receive aid under the new program in the same manner as school districts.

| Agency            | Agency Address         | Agency Phone | Agency Fax   | Agency Email            | Agency Website |
|-------------------|------------------------|--------------|--------------|-------------------------|----------------|
| City of Milwaukee | 100 N. Water St.       | 414-224-3100 | 414-224-3100 | milwaukee@milwaukee.gov | milwaukee.gov  |
| UWM               | 480 Lincoln Drive      | 414-224-3100 | 414-224-3100 | uwm.edu                 | uwm.edu        |
| MATC              | 1000 W. Wisconsin Ave. | 414-224-3100 | 414-224-3100 | matc.edu                | matc.edu       |

Prepared by: Ruth Hardy

## ATTACHMENT

### Characteristics of Special Education Funding Allocation Models

| <b>Pupil-Weighting</b>   |  |
|--|--|
| <p style="text-align: center;"><u>Potential Strengths</u></p> <ul style="list-style-type: none"> <li>• Funding is based on the relative costs associated with different types of disabilities</li> <li>• Flexibility in use of funds</li> <li>• Predictable</li> </ul>   | <p style="text-align: center;"><u>Potential Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Incentive to over-identify pupils and to misclassify pupils to disability categories receiving higher reimbursement</li> <li>• Less accountability for use of funds</li> <li>• Funding may be unrelated to actual costs</li> <li>• No connection to pupil achievement outcomes</li> </ul>                |
| <b>Percentage Reimbursement</b>  |  |
| <p style="text-align: center;"><u>Potential Strengths</u></p> <ul style="list-style-type: none"> <li>• Funding is related to actual costs or eligible costs</li> <li>• Little incentive to misclassify disabling conditions</li> <li>• Understandable</li> </ul>   | <p style="text-align: center;"><u>Potential Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Some incentive to over-identify pupils</li> <li>• No flexibility in the use of funds</li> <li>• Administratively burdensome</li> <li>• Limited incentive to control costs</li> <li>• No connection to pupil achievement outcomes</li> </ul>  |
| <b>Resource-Based</b>  |  |
| <p style="text-align: center;"><u>Potential Strengths</u></p> <ul style="list-style-type: none"> <li>• Funding is based on the relative costs associated with delivering the various instruction and other special education services</li> <li>• Flexibility in use of funds</li> <li>• Predictable</li> <li>• Easy to administer</li> </ul> | <p style="text-align: center;"><u>Potential Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Incentive to over-identify pupils and produce more resource units to generate additional funds</li> <li>• Funding may be unrelated to actual costs</li> <li>• Disincentive to mainstream</li> <li>• Limited incentive to control costs</li> <li>• No connection to pupil achievement outcomes</li> </ul> |
| <b>Flat Grant</b>  |  |
| <p style="text-align: center;"><u>Potential Strengths</u></p> <ul style="list-style-type: none"> <li>• No incentive to over-identify pupils or to misclassify disability category</li> <li>• Flexibility in use of funds</li> <li>• Administrative ease</li> </ul>   | <p style="text-align: center;"><u>Potential Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Incentive to under-identify pupils</li> <li>• Funding unrelated to actual costs</li> <li>• No connection to pupil achievement outcomes</li> </ul>  |

Source: Legislative Audit Bureau and Center for Special Education Finance

**Gov Agency:** Department of Public Instruction – County Children with Disabilities Education Boards – Categorical Aids

**Recommendations:**

**Paper No.:** 776 **Alternative(s):** Plache/Cowles motion WEAC is supporting or Alt. 2 or 3

**Comments:** See paragraph 7 for arguments for Alts. 2 & 3. Obviously, the first choice is 2, but that is also more costly than 3.

**Plache/Cowles Motion:** *Spreads out alternative 2 over 4 years & adds on cost controls.*

Prepared by: Cindy





## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 20, 1999

Joint Committee on Finance

Paper #776

### **County Children with Disabilities Education Boards (DPI -- Categorical Aids)**

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#### **CURRENT LAW**

The responsibility for educating children with disabilities is generally assigned to school districts. A school district may meet this responsibility by participating in a county children with disabilities education board (CCDEB) program. The financing of CCDEB programs can be structured in one of two ways: (a) independent, where the CCDEB levies a tax against the area of the county participating in the program for costs not reimbursed by state and federal aid; and (b) contract, where the school districts contract with the county board for special education services and levy a tax for those costs not supported by the state.

Currently, there are four county programs (Brown, Calumet, Racine and Walworth) that operate independently. These CCDEBs generally receive categorical aid through statewide categorical special education aid. In addition, they receive general aid from a separate appropriation with \$2,316,300 GPR in 1998-99 for pupils who are enrolled solely in the county program. School districts receive general school aids for those pupils who are enrolled both in the school district and CCDEB operated classes.

There is one county program (Marathon) that operates under contract with participating school districts. This CCDEB receives state special education aid for its program costs and the net cost is charged to participating school districts. General school aid is provided to the school district for all pupils enrolled in the county program. This CCDEB is not eligible for any general aid from the \$2,316,300 GPR provided for general aid for CCDEBs.

#### **GOVERNOR**

Maintain current law funding of \$2,316,300 GPR annually for general aid to the four fiscally independent CCDEBs.

## DISCUSSION POINTS

1. State funding for general aid to CCDEBs has remained unchanged at \$2,316,300 GPR annually since 1992-93. However, when Manitowoc County dissolved its CCDEB and no longer received aid beginning in 1995-96, this \$2,316,300 of annual general aid was then allocated to four CCDEBs, rather than five as in earlier years.

2. The state aid payment to each CCDEB is determined by recalculating each participating school district's equalization aid by adding: (a) resident pupils solely enrolled in the CCDEB program to the district's membership; and (b) the net cost of services provided by the CCDEB to both jointly enrolled and solely enrolled resident pupils to the district's shared costs. The percentage of the district's shared costs funded by equalization aid that is produced by this recalculation is then multiplied by the net cost of the CCDEB program to generate the CCDEB aid entitlement. These aid entitlements are summed for each CCDEB and an overall prorated factor is applied to allocate the \$2,316,300 of funding between the four CCDEBs.

3. In 1997-98, the four CCDEBs had a net cost of approximately \$11.7 million and generated an aid entitlement of approximately \$6.3 million. Because the Boards' aid entitlement of \$6.3 million exceeded the amount of state aid provided to CCDEBs, a pro-rate factor of 36.9% was used in 1997-98. It is estimated that the prorated factor for 1998-99 will be 35.2%, with the state providing \$2,316,300 of funding towards an aid entitlement of \$6.6 million.

4. Proponents of CCDEBs argue that they are under-funded by the state compared to school districts directly providing similar services to pupils. For school districts directly providing services, the revenues used to fund these costs are included in the definition of partial school revenues, and the state provides two-thirds funding, on a statewide average basis. In 1997-98, the county property tax levy for these boards totaled \$10 million. When state categorical aid for special education that is received by CCDEBs is considered, state aid in 1997-98 represented approximately 45% of the total of state aid and county property taxes levied for CCDEBs in that year. This percentage is relevant, because it is comparable to the two-thirds funding calculation that is made for K-12 partial school revenues. In order to increase that percentage to 66.67% in that year, an additional \$4.0 million of state aid would need to have been provided, which would have allowed the county property tax levy to be reduced by a corresponding amount.

5. One could argue that because state aid received by CCDEBs is already included in the state two-thirds funding calculation for K-12 public schools, counting this same aid towards two-thirds funding of the county property taxes levied for CCDEBs would double count this state aid. Using this approach, an additional \$6.7 million of state aid would need to have been provided in 1997-98. If this additional state funding had been provided to CCDEBs, the county levy could have been reduced from \$10 million to \$3.3 million, and this additional state aid would have represented two-thirds of this combined state aid and county property tax levy amount of \$10 million.

6. An alternative that would establish a permanent mechanism to adjust funding for CCDEBs would modify the appropriation for general aid to these boards to be a capped sum sufficient appropriation set equal to the prior year aid entitlement for CCDEBs. Under this

alternative, it is estimated that \$4.6 million GPR in 1999-00 and \$4.9 million GPR in 2000-01 would be provided to CCDEBs and equalization aid could be reduced by \$1.53 million in 1999-00 and \$1.63 million in 2000-01 and still maintain two-thirds funding of partial school revenues. As a result, the net cost would be \$3.07 million GPR in 1999-00 and \$3.27 million GPR in 2000-01.

7. A different approach for consideration by the Committee that could require a smaller commitment of GPR funding would be to simply provide additional funding to CCDEBs in the current annual sum certain appropriation. As an example, an additional \$683,700 GPR in 1999-00 and \$1,683,700 GPR in 2000-01 could be provided to these boards. This would provide total funding of \$3,000,000 GPR in 1999-00 and \$4,000,000 GPR in 2000-01 for CCDEBs, which would represent annual percentage increases of 29.5% in 1999-00 and 33% in 2000-01 from the prior years. A second example involving a lesser amount of GPR funding would be to provide \$183,700 GPR in 1999-00 and \$433,700 GPR in 2000-01, which would represent annual percentage increases of 7.9% in 1999-00 and 10% in 2000-01 from the prior years. Under either example, one-third of any funding increase could be reduced from equalization aid to adjust two-thirds funding of partial school revenues.

8. If no additional state funding is forthcoming, an option for the four counties that have fiscally independent CCDEBs would be to restructure these entities so that they would operate on a contract basis as is done in Marathon County. From a fiscal standpoint, the county would no longer levy for these costs. Instead, the local school districts would contract with the restructured CCDEB, and would pay for these services from the school districts' general school aid and property tax levy. However, this option would depend on the underlying school districts being willing to enter into this type of contractual arrangement involving the expenditure of monies derived from their aids and levy. If this change would occur, it is likely that the school districts involved would request a transfer of service adjustment under revenue limits for this increased cost. The Department of Public Instruction (DPI) would make the determination whether an increase to revenue limits would be appropriate under current law governing transfer of service. If an increase to revenue limits would be provided and the school district increased its property tax levy to the maximum allowable, the state's costs of two-thirds funding of partial school revenues would increase from its current level. Thus, although this type of restructuring could resolve the counties' fiscal concerns, it could be more costly to the state than simply increasing aid to CCDEBs.

9. A second option that these four counties could consider if the current county property tax levy is viewed as an undue burden, would be to dissolve their CCDEBs. In this case, the assets and liabilities of the CCDEB would be distributed to all units participating in the program, under current law procedures governing the distribution of assets and liabilities on the division of territory. In this case, the school districts that would be affected would request and in all likelihood receive, a transfer of service adjustment under revenue limits for this increased cost, although DPI would make this final determination. As under the county option to operate CCDEBs on a contract basis, if an increase to revenue limits would be provided and the school district increased its property tax levy to the maximum allowable, the state's costs of two-thirds funding of partial school revenues would increase.

10. One issue involved with the option of a county dissolving a CCDEB, is whether the overall costs of education for children with disabilities in that county would increase. Proponents of the CCDEBs argue that individual school districts would incur added costs if they attempted to provide these services on their own, since they each may have to hire administrative and program staff for what may be a limited number of pupils. A second concern over the possibility of a county dissolving a CCDEB was raised in testimony before the Committee, where parents expressed satisfaction with the current arrangement and concern over whether the underlying school districts could provide comparable services.

11. The Legislature authorized the creation of this type of board in 1957. In 1962-63, there were 45 of these boards in operation. Since that time, there has been a steady decline in the number of these boards, with four fiscally independent CCDEBs remaining in operation. Given the long-term trend away from these boards as part of public school operations in Wisconsin, the Committee may not wish to allocate additional GPR resources for general aid to CCDEBs. These boards would continue to receive base level funding for general aid, and the four counties could decide whether a CCDEB remains the best choice given this level of state support.

12. In recent years, the Legislature has level funded most categorical aids as well as general aid to CCDEBs. Other school aid programs, such as special education aid, are prorated so that school districts receive only a portion of their statutory aid entitlement. It is unclear whether an aid program that benefits only four counties should receive additional funding as a priority over other forms of school aid that are more widely distributed across the state.

## ALTERNATIVES

1. *Establish Capped Sum Sufficient Appropriation.* Provide \$4,600,000 GPR in 1999-00 and \$4,900,000 GPR in 2000-01 to fund the estimated prior year aid entitlement for general aid to CCDEBs. Modify the appropriation for this purpose from an annual sum certain to instead be a capped sum sufficient set equal to the prior year aid entitlement for these CCDEBs. Delete \$1,533,300 GPR in 1999-00 and \$1,633,300 GPR in 2000-01 from equalization aid to adjust two-thirds funding of partial school revenues.

| <u>Alternative 1</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | \$6,333,400 |

2. *Increase Current Appropriation by 29.5%/33.3%.* Provide \$683,700 GPR in 1999-00 and \$1,683,700 GPR in 2000-01 in general aid to CCDEBs. Delete \$227,900 GPR in 1999-00 and \$561,200 GPR in 2000-01 from equalization aid to adjust two-thirds funding of partial school revenues.

| <u>Alternative 2</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | \$1,578,300 |

3. *Increase Current Appropriation by 7.9%/10%.* Provide \$183,700 GPR in 1999-00 and \$433,700 GPR in 2000-01 in general aid to CCDEBs. Delete \$61,200 GPR in 1999-00 and \$144,600 GPR in 2000-01 from equalization aid to adjust two-thirds funding of partial school revenues.

| <u>Alternative 3</u>             | <u>GPR</u> |
|----------------------------------|------------|
| 1999-01 FUNDING (Change to Bill) | \$411,600  |

4. Maintain current law.

Prepared by: Dave Loppnow

**Gov Agency:** Department of Public Instruction – Open Enrollment  
Transportation Aid

**Recommendations:**

**Paper No.:** 777 **Alternative(s):** Approve Modification

Prepared by: Cindy



## Legislative Fiscal Bureau

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May 20, 1999

Joint Committee on Finance

Paper #777

### Open Enrollment Transportation Aid (DPI -- Categorical Aids)

[LFB 1999-01 Budget Summary: Page 492, #7]

#### CURRENT LAW

The parent of a pupil who is eligible for a free or reduced-price lunch under federal law and who will be attending public school full-time in a nonresident school district in the following school year may apply to the Department of Public Instruction (DPI) for the reimbursement of costs incurred by the parent for transportation of the pupil to and from the pupil's residence and the school that the pupil will be attending. The Department is required to determine the reimbursement amount, which may not exceed the actual transportation costs incurred by the parent or three times the statewide average per pupil transportation costs, whichever is less.

In 1998-99, \$1,000,000 GPR is appropriated for this purpose. If the appropriated funding is insufficient to pay the full amount of approved claims, payments must be prorated among the parents entitled to reimbursements. By the second Friday, following the first Monday in May following the receipt of the parent's application, DPI is required to provide each parent requesting reimbursement an estimate of the amount of reimbursement that the parent will receive if the pupil attends public school in the nonresident school district in the following school year.

#### GOVERNOR

Delete \$500,000 GPR annually from base level funding for this purpose.

**MODIFICATION**

Reestimate funding necessary for open enrollment transportation aid by -\$225,000 GPR in 1999-00. In order to maintain two-thirds funding of partial school revenues, provide \$75,000 GPR for general equalization aids in 1999-00.

**Explanation:** Since the introduction of the Governor's budget recommendations, DPI has received final notifications of applications for the open enrollment program and transportation aid. Applications are up 14% from the previous school year, which is less than estimated under the Governor's budget recommendation; therefore, funding can be reduced for this purpose in 1999-00. With this modification, total funding for open enrollment transportation aid would be \$275,000 GPR in 1999-00 and \$500,000 GPR in 2000-01.

| <u>Modification</u>              | <u>GPR</u> |
|----------------------------------|------------|
| 1999-01 FUNDING (Change to Bill) | -\$150,000 |

Prepared by: Ruth Hardy

MO# modification

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | Y | N | A |
| DECKER    | Y | N | A |
| JAUCH     | Y | N | A |
| MOORE     | Y | N | A |
| SHIBILSKI | Y | N | A |
| PLACHE    | Y | N | A |
| COWLES    | Y | N | A |
| PANZER    | Y | N | A |
|           |   |   |   |
| GARD      | Y | N | A |
| PORTER    | Y | N | A |
| KAUFERT   | Y | N | A |
| ALBERS    | Y | N | A |
| DUFF      | Y | N | A |
| WARD      | Y | N | A |
| HUBER     | Y | N | A |
| RILEY     | Y | N | A |

AYE 16 NO 0 ABS \_\_\_\_\_



**Gov Agency:** Department of Public Instruction - Student Achievement Guarantee in Education

**Recommendations:**

**Paper No.:** 778 **Alternative(s):** A5c (WEAC pick) and B1 and C2 (WEAC didn't weigh in on B or C)

**Comments:** Alt. 5c funds all eligible SAGE schools, excluding current participating schools & P-5 schools with a poverty rate greater than 50%. Of course if this fails, we try to move up the line to either 60 or 70 % of poverty.

If 5 fails totally, fall back would be 4. Allows more SAGE schools than proposed by the Governor and deletes the statutory references to eligibility being based on 80% poverty for Milwaukee and 62% for rest of the state.

Alt. B1 allows school districts who were previously eligible for the SAGE program, but declined twice, to remain eligible. LFB explains in paragraph 12 that circumstances could change that would make it possible for a school district to participate in the program when it may not have been possible previously.

Alt. C2 allows DPI to continue to use waiver authority to authorize additional SAGE schools in excess of statutory allocations

Prepared by: Cindy



## Legislative Fiscal Bureau

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May 20, 1999

Joint Committee on Finance

Paper #778

### Student Achievement Guarantee in Education (DPI -- Categorical Aids)

[LFB 1999-01 Budget Summary: Page 489, #2]

#### CURRENT LAW

A total of \$15,030,000 GPR is provided in 1998-99 for the student achievement guarantee in education (SAGE) program. The SAGE program awards five-year grants to school districts with at least one school with an enrollment made up of at least 50% low-income pupils (as defined by USC 2723) in the previous school year. Eligible school districts may enter into a contract with Department of Public Instruction (DPI) on behalf of one school in the district if in the previous school year, the school had an enrollment that was made up of at least 30% low-income pupils and the school board is not receiving a preschool through grade five (P-5) grant on behalf of that school.

Statutorily, the Milwaukee Public Schools (MPS) school district can enter into contracts on behalf of up to ten schools. If other districts have more than one eligible school, they are required to contract for the school with the largest number of low-income pupils in kindergarten and first grade. DPI is permitted to allow school districts to contract for one additional school if other eligible school districts have declined to participate in SAGE and DPI determines that sufficient funding is available. Based on DPI's interpretation of the SAGE statutes, DPI has permitted several school districts, with original SAGE contracts, to contract for up to an additional two SAGE schools under the second round of contracts. In addition, under the second round of contracts, DPI, under the waiver process, has permitted MPS to contract for an additional seven schools, increasing the total number of MPS contracts to 14.

The original SAGE contracts, which apply to school years 1996-97 through 2000-01, covered kindergarten and first grade in 1996-97, with the addition of grade two in 1997-98 and grade three in 1998-99. These contracts expire on June 30, 2001. Under 1997 Act 27 (the 1997-99 state budget), a second round of contracts is permitted for additional schools and school districts, to cover school years 1998-99 through 2002-03 with kindergarten and first grade in 1998-99 and the addition of grade two in 1999-00 and grade three in 2000-01. These contracts expire on June 30, 2003.

School districts must do all of the following in each SAGE school: (a) reduce each class size in the applicable grades to 15 pupils; (b) keep the school open every day for extended hours and collaborate with community organizations to make educational and recreational opportunities as well as community and social services available in the school to all district residents; (c) provide rigorous academic curriculum designed to improve academic achievement; and (d) create staff development and accountability programs that provide training for new staff members, encourage employee collaboration, and require professional development plans and performance evaluations.

Funding per pupil is determined by dividing the amount appropriated by the number of low-income pupils enrolled in eligible grades in every SAGE school in the state. Kindergarten pupils are pro-rated based on the number of hours per day they spend at school. School districts may receive no more than \$2,000 for each low-income pupil; in each year of the program, SAGE schools have received the full \$2,000 for each low-income FTE pupil.

Additionally, DPI is required to arrange for an evaluation of the SAGE program and must allocate \$250,000 annually for this purpose. The Department has contracted with the University of Wisconsin-Milwaukee (UWM) for this evaluation.

In order to continue to receive funding under the SAGE program, school districts must pass an annual review. At the end of each school year, a committee consisting of the State Superintendent, the Chairpersons of the Education Committees in the Senate and Assembly and the head of the UWM evaluation team must review the progress of each SAGE school and may recommend that DPI terminate a contract if a school has made insufficient progress or has violated the requirements of SAGE.

## **GOVERNOR**

Provide \$3,454,000 GPR in 1999-00 and \$13,483,400 GPR in 2000-01 for the SAGE program to fund schools that began contracts in 1996-97 and 1998-99 and a third round of SAGE contracts starting in 2000-01.

Create new eligibility requirements for those schools that would participate in the third round of contracts starting in 2000-01. Specify that a school district would be eligible to participate in the program in 2000-01 if, in the 1998-99 school year, a school in the district had an enrollment that was at least 50% low-income. Under current law, a school district is required to have an enrollment that was at least 50% low-income in the previous school year.

Specify that a school district other than MPS would be eligible to enter into a contract on behalf of one or more schools in the district if all of the following apply: (a) in the previous school year, the school had an enrollment that was at least 62% low-income; (b) the school is not receiving a P-5 grant; (c) the school district, if eligible in the 1996-97 and 1998-99 school years, participated in either year; (d) the school is not currently participating in the program; and (e) the school is not a comparison school for purposes of the annual program evaluation.

Specify that MPS would be eligible to enter into a contract on behalf of one or more schools in the district if all of the following apply: (a) the school, in the previous school year, had an enrollment that was at least 80% low-income; (b) the school is not receiving a P-5 grant; (c) the school is not currently participating in the program; and (d) the school is not a comparison school for the purposes of the annual program evaluation.

Codify current practice to permit MPS to contract for up to ten schools in both the 1996-97 and 1998-99 contract rounds, for a total of 20 schools. Also codify current practice to provide that if a school board of an eligible school district does not enter into a contract, other school boards may apply to enter contracts on behalf on one or more schools, except for MPS.

Extend: (a) the date in which DPI may enter into SAGE contracts from June 30, 1999, to June 30, 2001; (b) the annual evaluation of the program from the 2001-02 school year to the 2003-04 school year; and (c) the date in which no funds may be encumbered from the SAGE appropriation from June 30, 2003, to June 30, 2005. These modifications would conform current programmatic sunset dates with the timing of the proposed third round of five-year SAGE contracts.

## **DISCUSSION POINTS**

1. The SAGE program was established under 1995 Act 27 (the 1995-97 budget) based on recommendations from the Urban Initiative study completed by DPI in order to identify methods for improving pupil achievement in low-income school districts. SAGE was initiated as a five-year program and included a provision for a program evaluation which would determine the effectiveness of the components of SAGE. As part of the 1997-99 budget act (1997 Act 27), the Legislature recommended providing additional funding in order to fund a second round of contracts that would expire on June 30, 2003.

2. The most recent SAGE program evaluation, from December 1998, indicates that students in first grade SAGE classrooms achieved significantly higher scores in the tested areas of math, reading and language arts than pupils in the comparison classrooms. The evaluation reported that the achievement of first grade pupils appeared to be maintained in second grade; however the advantage did not appear to have increased significantly. Teachers in the program reported greater knowledge of their students and spending more time on instruction as compared to classroom management. In addition, SAGE schools reported an increase in the extended day activities offered and participation in those activities in 1997-98.

3. Preliminary results from the 1999 Project STAR study in Tennessee, indicate that students who have attended small size classes (13 to 17) in kindergarten through grade three, continue to outperform students who attended large size classes (22 to 25), after they enter grades with larger class sizes. The study reports that small-class students have completed more advanced courses, were less likely to be retained and were less likely to drop out of high school than those who attended regular classes or regular classes with a teacher's aide.

4. In 1998-99, 46 school districts have SAGE contracts with DPI on behalf of 80 individual schools and approximately 7,500 FTE kindergarten through third grade low-income pupils. The current SAGE participating schools and school districts are listed in an attachment to this paper. School districts receive \$2,000 for each eligible pupil.

5. The Governor's budget bill would provide continuing funding for the current SAGE schools. The Department estimates that 9,097 FTE low-income pupils will be attending the 80 SAGE schools in 1999-00 and 10,881 FTE low-income pupils in 2000-01. Based on these pupil counts, the SAGE program would need an additional \$3.2 million GPR in 1999-00 and \$6.7 million GPR in 2000-01 to fund each eligible pupil at \$2,000 each. The funding provided in the budget bill is sufficient to fund these estimated additional costs, as well as the ongoing \$250,000 per year of evaluation costs.

6. The Governor's budget bill also provides additional funding for a third round of SAGE contracts which would begin in 2000-01. The funding provided and the eligibility requirements recommended for the third round of SAGE contracts contained in the bill are based on a DPI initiative that was prepared separately from DPI's 1999-01 biennial budget request. Under the DPI initiative, the SAGE program would be expanded over the next three biennia to include all eligible schools with a poverty rate of 50% or more. Eligibility rates for the additional schools would continue to be based on prior year poverty rates. However, the qualifying low-income rates would differ for each contract round (2000-01, 2002-03 and 2004-05) and for MPS and non-MPS schools. For 2000-01, eligible districts other than MPS with a poverty rate of 62% or more in the prior year could participate in the program, while eligible schools in MPS with a poverty rate of 80% or more could participate. For 2002-03, eligible non MPS schools with poverty rates between 54% and 62% in the prior year could participate in the SAGE program and MPS schools with a poverty rates between 70% and 80% could participate. For contracts starting in 2004-05, the qualifying poverty rate for non-MPS schools would be between 50% and 54% and between 50% and 70% for MPS schools.

7. The funding estimated to be available for the third round of SAGE contracts after deducting the costs to fund continuing contracts is \$6.5 million GPR in 2000-01. Under the Governor's proposed allocation method for the third round of contracts, using more recent data on the poverty rates in these schools, it is estimated that 20 schools in MPS and 11 schools in the remainder of the state would be eligible to contract for SAGE aid at \$2,000 per pupil at an estimated cost of \$5.85 million GPR in 2000-01. If the Committee wishes to approve the Governor's recommendations relating to the third round of SAGE contracts, it could do so and reduce funding by \$650,000 GPR in 2000-01.

8. Concerns have been raised regarding the Governor's proposed allocation of funding based on differing poverty rates for MPS and the remaining school districts. According to the data reported to DPI for the 1998-99 school year, out of the 471 schools with a poverty rate of 30% or more, approximately 23.6% are located in MPS. Under the current SAGE program, the statutes require that no more than 10 schools be funded in MPS. The Department, however, has waived this provision and provided funding for 14 schools in MPS, which represents approximately 18% of the

total schools funded under the program. One could argue that based on poverty rates, a significant portion of funding under the program should be provided to MPS. Table 1 below shows the number and percent of MPS schools and the number of other schools at various low-income rates.

**TABLE 1**  
**Number and Percent of Schools with Poverty Rates of 30% or More\***

| <u>Poverty Rates</u> | <u>MPS Schools</u> | <u>MPS % of Total</u> | <u>Non MPS Schools</u> | <u>Non MPS % of Total</u> | <u>Total</u> | <u>Cumulative Total</u> | <u>MPS as % of Cumulative Total</u> |
|----------------------|--------------------|-----------------------|------------------------|---------------------------|--------------|-------------------------|-------------------------------------|
| More than 90%        | 26                 | 92.9%                 | 2                      | 7.1%                      | 28           | 28                      | 92.9%                               |
| 80% to 90%           | 28                 | 82.4                  | 6                      | 17.6                      | 34           | 62                      | 87.1                                |
| 70% to 80%           | 23                 | 56.1                  | 18                     | 43.9                      | 41           | 103                     | 74.8                                |
| 60% to 70%           | 19                 | 43.2                  | 25                     | 56.8                      | 44           | 147                     | 65.3                                |
| 50% to 60%           | 9                  | 14.5                  | 53                     | 85.5                      | 62           | 209                     | 50.2                                |
| 40% to 50%           | 4                  | 3.6                   | 108                    | 96.4                      | 112          | 321                     | 34.0                                |
| 30% to 40%           | 2                  | 1.3                   | 148                    | 98.7                      | 150          | 471                     | 23.6                                |
| Totals               | 111                |                       | 360                    |                           | 471          |                         |                                     |

\*Based on information reported to DPI by school districts for the 1998-99 school year.

9. As illustrated in the table above, MPS has most of the schools with very high poverty rates, with 74.8% of the schools with a poverty rate of 70% and above. Based on the concentration of poverty in MPS, allocating most of the funding to MPS may be desirable. However, if funding were allocated strictly based on poverty rates, concerns could be raised that school districts other than MPS would receive little funding for class size reduction, until schools with poverty rates under 70% were funded. Further, one could note that under the federal class size reduction initiative, MPS would receive over 30% of the funding allocated for Wisconsin in 1998-99, \$6.2 million of the \$20.1 million provided to Wisconsin, while some smaller school districts will not receive sufficient funding to support the costs of one new teacher.

10. While a number of alternatives exist in which to allocate SAGE funding for school districts under the third round of contracts, one alternative would be to specify a maximum number of schools that could be funded under the third round for MPS and for the remainder of the state. By specifying a number of schools rather than a percent of poverty, DPI would have more flexibility in awarding contracts. If schools with higher poverty rates decided not to participate, DPI could contract with another school with a lower poverty rate if the funding were available.

11. Under this method of allocation, the statutes could specify that up to 20 schools from MPS and up to 11 schools in the remainder of the state could be funded under a third round of contracts. This alternative would be consistent with the number of schools that would receive funding under the Governor's and DPI's allocation method; however, it may not result in the same schools receiving the funding. Another alternative would be to specify that up to 22 schools in MPS and up to 13 in the remainder of the state could be funded under a third round of contracts. Under

this alternative, it is estimated that all of funding recommended by the Governor would be expended based on contracting with schools with the highest poverty rates, excluding current SAGE schools, P-5 schools, comparison schools and school districts that declined twice to participate in the program.

12. The Committee may also wish to consider whether school districts that twice declined to participate in the program should be excluded from participating in the third round of contracts. It may be possible that these school districts have had a change in circumstances that would now allow the school board to contract for SAGE funding, such as additional space or increased enrollment. If the Committee modified the Governor's proposal to allow these school districts to be eligible for SAGE funding, current estimates as to the costs of the program, which are based on the schools with the highest poverty rates, would be unchanged.

13. The Committee could also consider providing additional GPR to fund all eligible schools at a certain statewide poverty rates. Table 2 below shows the total estimated funding that would be needed to fund all eligible schools, except current participating SAGE schools and P-5 schools, at 10% incremental poverty rates starting with 50%.

**TABLE 2**

**Estimated Cost to Funding All Eligible Schools At Various Poverty Rates**

| <u>Poverty Rate<br/>Threshold</u> | <u>Estimated<br/>Total Funding</u> | <u>Change<br/>to Bill</u> | <u>Cumulative<br/>Number of Schools</u> |                |
|-----------------------------------|------------------------------------|---------------------------|---|----------------|
|                                   |                                    |                           | <u>MPS</u>                              | <u>Non-MPS</u> |
| More than 70%                     | \$10,200,000                       | \$3,700,000               | 44                                      | 6              |
| More than 60%                     | 14,400,000                         | 7,900,000                 | 62                                      | 19             |
| More than 50%                     | 17,800,000                         | 11,300,000                | 70                                      | 54             |

14. Consideration could also be given to whether statutory language relating to DPI's waiver authority should apply to the eligibility requirements under the SAGE program. As noted, DPI waived the current law provision that limits the number of MPS schools that could contract under the program. The statutory waiver provision provides that a school board may request the Department to waive any school board or school district requirement. It is questionable whether the limitation of contracting with no more than 10 schools in MPS is a school board or school district requirement, or a requirement relating to DPI. The Committee may wish to specify whether or not DPI could waive the eligibility requirements under the proposed third round of contracts for the program. By allowing DPI waiver of eligibility requirements, legislative control is lessened and the provisions become more of goal and target rather than a requirement. However, by allowing a waiver, DPI would have the flexibility to award all of the funding even if certain eligible applicants do not sign contracts.



15. The Committee may also wish to consider whether funding for a third round of contracts should be provided at this time. If the Committee decides not to fund a third round of contracts, \$6.5 million GPR in 2000-01 could be deleted. When created, the SAGE program was to be funded for five years and if the program proved successful in improving the performance of low-income K-3 pupils, the program could be funded beyond the June 30, 2001 sunset date. While the current annual evaluation indicates that the program has been successful in improving student achievement, the Committee may wish to wait until the next budget cycle, which will be just prior to the expiration of the five-year contracts, to determine if and to what extent additional funding should be provided for the program. In addition, with potential on-going federal funds available for class size reduction, the Committee may wish to consider whether additional state funds are needed at this time, or whether the Legislature should work to develop a class-size reduction plan that takes into account the federal funding, once it is known how much federal aid will be available and if the funding will indeed be ongoing.

16. Under the federal class size reduction initiative, \$1.2 billion is appropriated for one year with each state receiving a formula allocation starting July 1, 1999, based on the greater of the state's share of Elementary and Secondary Education Act Title I or Title II funding. Each state is then required to distribute all of the federal funding to local educational agencies as follows: (a) 80% of the funding must be allocated in proportion to the number of children, based on federal census numbers, in low-income families; and (b) the remaining 20% will be distributed based on school enrollments within each agency. If the amount a school district would receive under this formula allocation is less than the starting salary for a new teacher, the state may not make an award to that district unless the district agrees to form a consortium with at least one other agency for the purpose of reducing class size, unless the district has already reduced class size and intends to use the funding for professional development activities.

17. School districts may use the federal funds to recruit, hire and train teachers. In addition, up to 15% of the funds may be used to: (a) test new teachers for academic knowledge; and (b) provide professional development. If an agency has already reduced class size in the early grades to 18 or less students, the district may use the funding to: (a) further reduce class size in grades 1-3; (b) reduce class size in other grades, including kindergarten; and (c) improve teacher quality, including professional development.

18. Federal funding provided under this initiative may not supplant state and local funds provided to reduce class size. In addition, the funding may not be used to increase the salaries or provide benefits, except professional development and enrichment programs, to teachers currently employed by the school district. Further, no more than three percent of the funding received by the agency may be used for administrative costs. Continuing funding has been requested for this initiative; however, it has not yet been approved.

19. If funding for a third round of contract is approved, a technical modification to the statutory language regarding calculating the payments is necessary.

20. The SAGE program is considered a categorical aid and is included in the calculation



of the state's goal of funding two-thirds of partial school revenues. If funding would be adjusted for the program, the amount of funding needed for equalization aids would be affected.

## ALTERNATIVES

### A. Funding for a Third Round of SAGE Schools

1. Approve the Governor's recommendation to provide \$3,454,000 GPR in 1999-00 and \$6,983,400 GPR in 2000-01 for the SAGE program to fund schools that began contracts in 1996-97 and 1998-99 and \$6,500,000 GPR in 2000-01 to fund a third round of SAGE contracts starting in 2000-01. Include a technical modification to correct the statutory calculation of payments to SAGE schools.

2. Modify the Governor's recommendation by deleting \$650,000 GPR in 2000-01 based on an estimate of the costs to fund additional eligible schools under a third round of SAGE contracts. Include a technical modification to correct the statutory calculation of payments to SAGE schools. Increase equalization aids by \$216,700 GPR in 2000-01 to fully fund the estimated cost of two-thirds funding of partial school revenues.

| <u>Alternative A2</u>            | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | - \$433,300 |

3. Modify the Governor's recommendation by deleting \$650,000 GPR in 2000-01 and by specifying that not more than 20 schools in MPS and 11 schools in the remainder of the state could be funded under the third contract round beginning 2000-01. Delete the statutory references to eligibility being based on 80% and 62% rates under the third contract round. Include a technical modification to correct the statutory calculation of payments to SAGE schools. Increase equalization aids by \$216,700 GPR in 2000-01 to fully fund the estimated cost of two-thirds funding of partial school revenues.

| <u>Alternative A3</u>            | <u>GPR</u>  |
|----------------------------------|-------------|
| 1999-01 FUNDING (Change to Bill) | - \$433,300 |

4. Modify the Governor's recommendation by specifying that not more than 22 schools in MPS and 13 schools in the remainder of the state could be funded under the third contract round beginning 2000-01. Delete the statutory references to eligibility being based on 80% and 62% rates under the third contract round. Include a technical modification to correct the statutory calculation of payments to SAGE schools.

5. Modify the Governor's recommendations by providing GPR to fund all eligible schools, excluding current participating SAGE schools and P-5 schools, with the following poverty

rates. Delete equalization aids by 33.3 cents for every dollar appropriated for the program to adjust the estimated cost of two-thirds funding of partial school revenues.

|    | <u>Poverty Rate<br/>Threshold</u> | <u>SAGE<br/>Funding</u> | <u>General<br/>Aid Offset</u> | <u>Net Change<br/>to Bill</u> |
|----|-----------------------------------|-------------------------|-------------------------------|-------------------------------|
| a. | More than 70%                     | \$3,700,000             | -\$1,233,300                  | \$2,466,700                   |
| b. | More than 60%                     | 7,900,000               | -2,633,300                    | 5,266,700                     |
| c. | More than 50%                     | 11,300,000              | -3,766,700                    | 7,533,300                     |

6. Maintain current law by providing funding only to continue current SAGE contracts. Delete the proposed third round of contracts with \$6,500,000 GPR in 2000-01 from the program and provide \$2,166,700 GPR for equalization aids to fully fund the estimated cost of two-thirds funding of partial school revenues.

| <u>Alternative A6</u>            | <u>GPR</u>   |
|----------------------------------|--------------|
| 1999-01 FUNDING (Change to Bill) | -\$4,333,300 |

### **B. Schools that Twice Declined**

1. Delete the Governor's recommendation that would exclude otherwise eligible school districts from entering into SAGE contracts if the school board declined to participate in the program in 1996-97 and 1998-99.

2. Maintain current law.

### **C. DPI Waiver Authority**

1. Specify that DPI cannot waive any statutory allocation of the number of MPS and non-MPS schools that can participate in the third round of SAGE contracts.

2. Maintain current law, which has been interpreted to allow DPI to use its waiver authority to authorize additional schools in excess of statutory allocations.

Prepared by: Tricia Collins  
Attachment

## ATTACHMENT

### 1998-99 Participating SAGE Schools

| <u>District Name</u>  | <u>School Name</u>    | <u>District Name</u> | <u>School Name</u>  |
|-----------------------|-----------------------|----------------------|---------------------|
| Adams-Friendship Area | Adams-Friendship      | Milwaukee            | Allen-Field         |
| Adams-Friendship Area | Castle Rock           | Milwaukee            | Carleton            |
| Antigo                | Mattoon               | Milwaukee            | Fairview            |
| Antigo                | North                 | Milwaukee            | Forest Home Ave     |
| Appleton Area         | Foster                | Milwaukee            | Longfellow          |
| Appleton Area         | Jefferson             | Milwaukee            | Maple Tree          |
| Ashland               | Lake Superior Primary | Milwaukee            | Maryland Ave        |
| Ashland               | Marengo Valley        | Milwaukee            | Sherman             |
| Baraboo               | South                 | Milwaukee            | Twenty-First Street |
| Bayfield              | Bayfield              | Milwaukee            | Browning            |
| Beloit                | Robinson              | Milwaukee            | Story K-8           |
| Bowler                | Bowler                | Milwaukee            | Thirty-eight Street |
| Boyceville Community  | Tiffany Creek         | Milwaukee            | Wisconsin Ave       |
| Bruce                 | Bruce                 | Milwaukee            | Wis. Conservatory   |
| Bruce                 | Exeland               | Necedah Area         | Rockview/Necedah    |
| Clayton               | Clayton               | Northwood            | Minong              |
| Cudahy                | Parkview              | Oshkosh Area         | Webster Stanley     |
| Cudahy                | Kosciuszko            | Prentice             | Ogema               |
| Eau Claire Area       | Longfellow            | Prentice             | Tripoli             |
| Fond du Lac           | Chegwin               | Racine               | Giese               |
| Gilman                | Gilman                | Sheboygan Area       | Jefferson           |
| Glidden               | Glidden               | Sheboygan Area       | Washington          |
| Green Bay Area        | Fort Howard           | Siren                | Siren               |
| Green Bay Area        | Jefferson             | South Shore          | Oulu                |
| Janesville            | Wilson                | South Shore          | South Shore         |
| Kenosha               | Durkee                | Stanley-Boyd Area    | Boyd                |
| Kenosha               | McKinley              | Stanley-Boyd Area    | Stanley             |
| Kickapoo Area         | Viola                 | Stevens Point Area   | Jefferson           |
| La Crosse             | Hamilton              | Superior             | Blaine              |
| La Crosse             | Franklin              | Superior             | Cooper El           |
| La Crosse             | Jefferson             | Superior             | Lake Superior       |
| La Crosse             | North Woods           | Superior             | Pattison            |
| Lac Du Flambeau #1    | Lac Du Flambeau       | Suring               | Mountain            |
| Ladysmith-Hawkins     | Ladysmith             | Suring               | Suring              |
| Laona                 | Robinson              | Waukesha             | White Rock          |
| Madison Metro         | Glendale              | Wausau               | Hawthorn Hills      |
| Madison Metro         | Mendota               | Wausaukee            | Wausaukee           |
| Madison Metro         | Midvale               | Wauzeka-Steuben      | Wauzeka             |
| Menominee Indian      | Keshena Primary       | Webster              | Webster             |
| Menomonie Area        | River Heights         | Winter               | Winter/Radisson     |

**Gov Agency:** Public Instruction—Catagorical Aids  
School Library Aids

**Recommendations:**

**Paper No. 779**      Alternative 1

**Comments:** Due to a reestimate in the common school fund, more money is available to distribute to school libraries. Alternative 1 allows for the distribution.

Prepared by:      Julie