



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

RESEARCH APPENDIX - **PLEASE DO NOT REMOVE FROM DRAFTING FILE**

Date Added To File: 09/18/2002 (Per: PG)



☞ The drafting file for 2001 LRB -5168

has been transferred to the drafting file for

2003 LRB -0151

☞ This cover sheet, the final request sheet, and the final version of the 2001 draft were copied on yellow paper, and returned to the original 2001 drafting file.

☞ The attached 2001 draft was incorporated into the new 2003 draft listed above. For research purposes, this cover sheet and the complete drafting file were transferred, as a separate appendix, to the 2003 drafting file. If introduced this section will be scanned and added, as a separate appendix, to the electronic drafting file folder.

2001 DRAFTING REQUEST

Bill

Received: 08/09/2002

Received By: grantpr

Wanted: As time permits

Identical to LRB:

For: Luther Olsen (608) 266-8077

By/Representing:

This file may be shown to any legislator: NO

Drafter: grantpr

May Contact:

Addl. Drafters:

Subject: Education - sch. dist. reorg.
Education - school finance

Extra Copies: MJL

Submit via email: YES

Requester's email: Rep.Olsen@legis.state.wi.us

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

State aid to newly created school districts

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
1?	grantpr	1/p1-8/20 Kmg	8/21	8/21			

FE Sent For:

<END>

Grant, Peter

From: Pluta, Mary
Sent: Friday, July 12, 2002 7:57 AM
To: Grant, Peter
Cc: Whitesel, Russ
Subject: Bill Draft request

Peter,

Representative Olsen is interested in introducing legislation next session to fix a problem he believes exists when a new school district is being created. This issue came to light because of Cross Plains' attempt to split from the Middleton-Cross Plains School District. The issue is that the new school district potentially receives state aid funds from the existing school district during the asset and liability allocation, but because it is not actually called state aid, the new school district could levy at a much higher rate than they might want to for political reasons.

Could we add a definition to s. 121.90 (1m), which defines revenue as the sum of state aid and property tax levy? This additional definition of revenue would pertain only to school districts created under s. 117.105 and would define revenue as the sum of the property tax levy and funds used in the first year of operation of a school district created under s. 117.105?

Also, Luther wants to make sure that the new school district could borrow money in their first year to mitigate the potentially high levy. Could you make the new definition allow for that?

Thanks for your help. Obviously, we're not in a hurry to get this back, we're just trying to get ready for next session. Let me know if you have any questions.

Mary Pluta
Research Assistant
Office of Rep. Luther Olsen
608-266-8077

→ By same token, doesn't the existing sd's ability to levy decrease? (Because it must pay \$ to new sd yet can't make up for that in its levy.)

7/16 called Mary. She'll set up a meeting in August w/ me, her, Russ W., Russ Kava (LFB), & Luther.



~~quest~~

can't inc - "retains" (st. aid + taxes)

need st. aid in pres. yr. ~~sp. tax~~ based in pres. yr.

17.605 sd) have limit, but no state aid (?) ; can buy huge amt

isn't that the problem?

mtg 8/9/02 w/ L. Olsen, Russ Whitesel, Russ Kara & Mary Pluta

~~define transferred to as to aid~~

→ one asset = next year's st. aid payment ^{part} treated separately
["unrealized asset"]

that's ~~divided~~ & treated as st. aid for
rev. lt. purposes

~~and on the~~

& debts at same time etc. (by dpi)

→

(see LRB memos)

dpi estimates based on
best est. of what it ~~he~~
have gotten if had
existed in prior year.

dpi must provide this info, so
people know ahead of time

estimate for info only

new sd gets st. aid based on actual

affect existing sd's aid too (reduce)

[note: still get job bump]



Legislative Fiscal Bureau

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

Sent to Greg Wagner
Russ

12/13/01

December 13, 2001

TO: Representative Luther Olsen
Room 9 West, State Capitol

FROM: Dave Loppnow, Program Supervisor

SUBJECT: General School Aids of Newly Created School District

At your request, I am providing information relating to an option to modify current law governing the calculation of general school aids in the first year of operation of a newly created school district.

Under current law, s. 117.105 of the statutes establishes a procedure by which a school district can be created from the territory of one or more existing school districts. Current law also specifies a method for determining the revenue limits of a new school district under s. 121.91 (2m)(r) of the statutes. However, there are no special provisions under current law for calculating general school aids in the first year of operation of a newly created school district. Because general school aids are calculated using membership, shared costs and equalized value from the prior year, a newly created school district would not receive general school aids in its first year of operation. This could result in a high initial school property tax levy, since all first year revenues would have to derive from the property tax, unless other monies are available.

One alternative that would address this issue would be to modify current law to allow a new school district to receive general school aids in its first year of operation. This could be done by adjusting the general school aids for all of the school districts affected by the creation of the new school district. The general school aids for these districts could be calculated using equalized value from the prior school year, adjusted as if the new school district boundaries had applied in the prior school year. Similarly, membership for these school districts for the prior year could be adjusted on the basis of the number of pupils who attended a school district in the previous school year from which territory was detached and who resided in the detached territory. Finally, shared costs in the prior year could be allocated to the affected school districts proportionally to their share of prior year membership.

As an example of this alternative, the attachment presents a hypothetical example involving the creation of a school district. This example is calculated as if the new school district was created in 2001-02. For purposes of this example, it is assumed that School District A had a membership of 1,000 in 2000-01, with shared costs of \$7,800,000 and an equalized value of \$382,432,500. In 2001-02, it is assumed that School District A1 (the successor to School District A), retains 55% of the pupils, 75% of the value and needs to generate \$4,400,000 from general school aids and the property tax levy to fund its budget. It is further assumed that the new School District A2 would have 45% of the pupils, 25% of the value and needs to generate \$3,600,000 from general school aids and the property tax levy to meet its budgeted expenditures.

Using these assumptions, the attachment illustrates the general school aids status for each hypothetical school district in 2001-02 under current law and under the alternative. Under current law, School District A1 would receive all of the general school aids based on the prior year membership, value and shared costs of School District A, which would allow a levy per \$1,000 of value of \$1.05 to meet its budget in 2001-02. School District A2 would not receive any general school aids in 2001-02, and so would need to levy \$37.65 per \$1,000 of value in order to generate sufficient revenues to match expenditures in 2001-02.

Under the alternative, in 2001-02 a portion of School District A's prior year membership, value and shared costs would be allocated to School Districts A1 and A2. Under this alternative, each school district would be eligible for general school aids in 2001-02, which would greatly reduce the potential disparity in mill rates for the two school districts.

Under both current law and the alternative, two other factors that could affect the mill rates are not considered in this example. First, under revenue limits, maximum allowable revenues in 2001-02 for School District A1 would be significantly higher than \$4.4 million and the District could choose to set a higher mill rate than shown in order to take advantage of this and add the additional property tax revenues to its balance. Second, School District A2 would receive a portion of assets and liabilities of School District A and might have a balance that could be used to reduce the mill rate from the amounts shown.

I hope that this information is helpful. Please contact me if you have questions.

DL/lah
Attachment

ATTACHMENT

**Hypothetical Example
Presented as if New District Created in 2001-02**

School District A Splits into:

1. School District A1--Successor to A with 550 members and 75% of the value.
2. School District A2--Newly created with 450 members and 25% of the value.

Current Law

Alternative

School District A1--Successor to A

School District A1--Successor to A

Data Used in Calculating Aid

Membership	1,000
Shared Costs	\$7,800,000
Equalized Value	\$382,432,500

Data Used in Calculating Aid

Membership	550
Shared Costs	\$4,290,000
Equalized Value	\$286,824,375

Result of Aid Calculation

Aid in 2001-02	\$4,000,000
Levy in 2001-02	\$400,000
Levy per \$1,000 value	\$1.05

Result of Aid Calculation

Aid in 2001-02	\$1,445,415
Levy in 2001-02	\$2,954,585
Levy per \$1,000 value	\$10.30

School District A2--Newly Created

School District A2--Newly Created

Data Used in Calculating Aid

Membership	0
Shared Costs	\$0
Equalized Value	\$0

Data Used in Calculating Aid

Membership	450
Shared Costs	\$3,510,000
Equalized Value	\$95,608,125

Result of Aid Calculation

Aid in 2001-02	\$0
Levy in 2001-02	\$3,600,000
Levy per \$1,000 value	\$37.65

Result of Aid Calculation

Aid in 2001-02	\$2,554,600
Levy in 2001-02	\$1,045,400
Levy per \$1,000 value	\$10.93

2001

Date (time) needed

LRB - 5168, P1

BILL

DN

PG: KMG

Use the appropriate components and routines developed for bills.

AN ACT . . . [generate catalog] *to repeal . . . ; to renumber . . . ; to consolidate and renumber . . . ; to renumber and amend . . . ; to consolidate, renumber and amend . . . ; to amend . . . ; to repeal and recreate . . . ; and to create . . .* of the statutes; relating to: *computing state aid to school districts that are created from the territory of one or more existing school districts.*

[NOTE: See section 4.02 (2) (br), Drafting Manual, for specific order of standard phrases.]

Analysis by the Legislative Reference Bureau

If titles are needed in the analysis, in the component bar:

For the main heading, execute: create → anal: → title: → head

For the subheading, execute: create → anal: → title: → sub

For the sub-subheading, execute: create → anal: → title: → sub-sub

For the analysis text, in the component bar:

For the text paragraph, execute: create → anal: → text

This is a preliminary draft. An analysis will be provided on a later version.

FE-52

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION #.

SEC. CR. 117.105 (lg)

117.105 ~~117.105~~ (lg) ^{AS} STATE AID ESTIMATE. Based

upon the information provided to the board

under sub. (1), the department shall estimate

the amount of state aid ^{under s. 121.08} that ~~the~~ each

affected school district and the proposed school

district would have received in the current

school year if the proposed school district

had existed in the current school year,

shall ^{and} notify the school board of each

affected school district.

SEC. CR: 117.105(1m)(d)

117.105(1m)(d) For the purpose of
apportioning assets and liabilities under par. (b) or (c),
~~under s. 117.105~~, and for the sch state aid
distributed under s. 121.15
~~under s. 121.02~~ paid in the school year
beginning on the effective date of the
under this section
reorganization is not an asset. ~~For the~~
~~purpose of this section.~~

SEC. CR. 121.07 (1) (d) 1.

121.07(1)(d) ~~CREATE NEW SCHOOL DISTRICTS~~

Notwithstanding para. (a), the department shall compute state aid

for any school district from which territory was detached to create a school district created

under s. 117.105, or school district under s. 117.105, for the year for the

for the school year beginning on the effective date of

a reorganization under s. 117.105,

as if the proposed school district created under s. 117.105

district had been in existence on the preceding

July 1.

~~SEC. CR. 121.07 (6) (e) 1. 121.07 (6) (e)~~

INITIAL APPLICABILITY

1. In the component bar:

For the action phrase, execute: create → action: → *NS: → inappl

For the budget action phrase, execute: create → action: → *NS: → 93XX

For the text, execute: create → text: → *NS: → inappl

2. Nonstatutory subunits are numbered automatically. Fill in the Section # or subsection # only if a "frozen" number is needed. Below, for the budget, fill in the 9300 department code.

SECTION # [93] **Initial applicability;**

(#1) ()

The treatment of sections ..

of the statutes

first applies to

1. In the component bar:

For the action phrase, execute: create → action: → *NS: → inappl

For the text, execute: create → text: → *NS: → inapplA

2. Nonstatutory subunits are numbered automatically. Fill in the Section # or subsection # only if a "frozen" number is needed.

SECTION # . **Initial applicability;**

(#1) *WY* This act first

applies to *a school district reorganization initiated by*

under section 117.105 (1) (a) of the statutes,
a petition filed on the effective date of
this subsection or initiated by the
the first school board ~~or school board of the~~
adoption of a resolution ~~by parish officers~~
~~submitted~~ under section 117.105 (1) (b) of
the statutes, on the effective date of this subsection.

(ENC)

~~copy of statute with~~ 117.105

DN

1. Currently, a school district from which territory is detached to create a ^{new} school district receives an additional 5% in state aid in the second, third, and fourth school years after the effective date of the reorganization. It does not receive this additional aid in the first year because aid ~~to~~ aid in the first year is based on prior year data ~~and~~ ^{(in this case,} ~~the~~ ^{the} year prior to the reorganization⁾. In this draft, however, aid in the first year is ~~based upon~~ ^{computed} ~~prior year~~ ^{data} as if the new school district existed in the previous school year. Therefore, you may wish to modify the ^{5%} "incentive aid" so that it is paid in the first, second, and third years.

italics

As mentioned above,
2. This draft directs DPI to ~~pay~~ compute
the new school district's
state aid in the first year of operation of the
~~new school district~~ as if the new school district
had existed in the previous school year. I don't
think that determining ~~are~~
equalized valuation of enrollment will
be fairly ministerial. ~~However,~~ ~~however,~~
~~not be a problem,~~ ~~but~~ determining
the districts' shared costs ~~may~~ ~~not~~ be difficult.

~~Do you want to direct DPI to use a particular method?~~

~~and the draft does not direct~~ It could be
based upon
determination of each district's ⁽²⁵⁾ share of the
total equalized value, or each district's share
of the total enrollment, or some other means.

Do you want to direct DPI to use a
particular method?

PLS

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-5168/P1dn
PG:kmg:jf

August 21, 2002

1. Currently, a school district from which territory is detached to create a new school district receives an additional 5% in state aid in the second, third, and fourth school years after the effective date of the reorganization. It does not receive this additional aid in the first year because aid is based on prior year data (in this case, the year prior to the reorganization). In this draft, however, aid in the first year is computed *as if the new school district existed in the previous school year*. Therefore, you may wish to modify the 5% "incentive aid" so that it is paid in the first, second, and third years.

2. As mentioned above, this draft directs DPI to compute state aid in the new school district: first year of operation as if the new school district had existed in the previous school year. I think that determining equalized valuation and enrollment will be fairly ministerial. Determining the districts' shared costs, however, may be difficult. It could be based upon each district's share of the total equalized value, or each district's share of the total enrollment, or some other means. Do you want to direct DPI to use a particular method?

Peter R. Grant
Managing Attorney
Phone: (608) 267-3362
E-mail: peter.grant@legis.state.wi.us



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 AN ACT *to create* 117.105 (1g), 117.105 (1m) (d) and 121.07 (1) (d) of the statutes;
2 relating to: state aid to school districts that are created from the territory of
3 one or more existing school districts.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a later version.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

4 SECTION 1. 117.105 (1g) of the statutes is created to read:
5 117.105 (1g) STATE AID ESTIMATE. Based upon the information provided to the
6 board under sub. (1), the department shall estimate the amount of state aid under
7 s. 121.08 that each affected school district and the proposed school district would
8 have received in the current school year if the proposed school district had existed
9 in the current school year, and shall notify the school board of each affected school
10 district.

