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~~PRELIMINARY DRAFT NOT READY FOR INTRODUCTION~~

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SA ✓

re-gen

1 AN ACT *to repeal* 121.07 (10) (a); *to amend* 121.06 (title), 121.06 (1), 121.06 (2),  
2 121.07 (7) (b), 121.07 (10) (title), 121.08 (2), 121.08 (3), 121.08 (4) (c) and 121.08  
3 (4) (d); and *to create* 121.07 (1) (d), 121.07 (7m), 121.07 (8m), 121.07 (10) (e) to  
4 (g), 121.08 (2g), 121.08 (2r) and 121.08 (5) of the statutes; **relating to:**  
5 distributing one-half of general school aid using an income equalization  
6 formula.

INS  
ANALYSIS

*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:*

7 SECTION 1. 121.06 (title) of the statutes is amended to read:  
8 **121.06 (title) Determination and certification of equalized valuation**  
9 **and net taxable income.**

1 SECTION 2. 121.06 (1) of the statutes is amended to read:

2 121.06 (1) Annually on or before October 1, the full value of the taxable  
3 property in each part of each city, village and town in each school district, and the  
4 net taxable income in each school district in the calendar year ending in the previous  
5 school year, shall be determined by the department of revenue according to its best  
6 judgment from all sources of information available to it and shall be certified by the  
7 department of revenue to the state superintendent.

8 SECTION 3. 121.06 (2) of the statutes is amended to read:

9 121.06 (2) The state superintendent shall certify to each school district clerk  
10 the appropriate ~~full values~~ amounts certified to the state superintendent under sub.  
11 (1).

12 SECTION 4. 121.07 (1) (d) of the statutes is created to read:

13 121.07 (1) (d) 1. The net taxable income of the school district in the calendar  
14 year ending in the previous school year shall be used in computing general aid.

15 2. For a school district operating only high school grades, the sum of the net  
16 taxable incomes of its underlying elementary school districts shall be used in  
17 computing general aid.

18 SECTION 5. 121.07 (7) (b) of the statutes is amended to read:

19 121.07 (7) (b) The "secondary guaranteed valuation per member" is an amount,  
20 rounded to the next lower dollar, that, after subtraction of <sup>50 percent of</sup> ~~the~~ payments under ~~(ss.)~~ <sup>plain</sup>  
21 ~~(s.)~~ 121.09 and <sup>50 percent of</sup> ~~50 percent of the payments under s.~~ 121.85 (6) (b) 2. and 3. and (c), fully  
22 distributes an amount equal to <sup>50 percent of</sup> ~~the amount remaining in the appropriation under s.~~  
23 ~~20.255 (2) (ac) to be distributed under s. 121.08 (1).~~ <sup>plain</sup>

24 SECTION 6. 121.07 (7m) of the statutes is created to read:

plain

1           121.07 (7m) GUARANTEED NET TAXABLE INCOME PER MEMBER. (a) The "primary  
2 net taxable income per member" is \$300,000.

3           (b) The "secondary net taxable income per member" is an amount, rounded to  
4 the next lower dollar, that, after subtraction of 50 percent of the payments under (s)  
5 121.09 and 121.85 (6) (b) 2. and 3. and (c), fully distributes 50 percent of the amount remaining ~~to (b)~~  
6 ~~(distributed under s. 121.08 (2g))~~ in the appropriation under s. 20-255 (2)(a)

7           (bm) The "tertiary net taxable income per member" is the amount, rounded to  
8 the next lower dollar, determined by dividing the net taxable income of the state by  
9 the state total membership.

10          (c) For districts operating only high school grades, the amounts in pars. (a) to  
11 (bm) shall be multiplied by 3 and rounded to the next lower dollar.

12          (d) For districts operating only elementary grades, the amounts in pars. (a) to  
13 (bm) shall be multiplied by 1.5 and rounded to the next lower dollar.

14          (e) 1. For a school district created by a consolidation under s. 117.08 or 117.09,  
15 in the school year in which the consolidation takes effect and in each of the  
16 subsequent 4 school years, the amounts under pars. (a) to (bm) shall be multiplied  
17 by 1.15 and rounded to the next lower dollar.

18          2. For a school district from which territory was detached to create a school  
19 district under s. 117.105, in each of the 3 school years beginning on the July 1  
20 following the effective date of the reorganization under s. 117.105, the amounts  
21 under pars. (a) to (bm) shall be multiplied by 1.05 and rounded to the next lower  
22 dollar.

23          SECTION 7. 121.07 (8m) of the statutes is created to read:

1           121.07 (8m) GUARANTEED NET TAXABLE INCOME. A school district's primary,  
2 secondary, and tertiary net taxable incomes are determined by multiplying the  
3 amounts in sub. (7m) by the district's membership.

4           **SECTION 8.** 121.07 (10) (title) of the statutes is amended to read:

5           121.07 (10) (title) REQUIRED LEVY RATE AND INCOME RATES.

6           **SECTION 9.** 121.07 (10) (a) of the statutes is repealed.

7           **SECTION 10.** 121.07 (10) (e) to (g) of the statutes are created to read:

8           121.07 (10) (e) The "primary required income rate" is the primary shared cost  
9 divided by the primary net taxable income.

10           (f) The "secondary required income rate" is the secondary shared cost divided  
11 by the secondary net taxable income.

12           (g) The "tertiary required income rate" is the tertiary shared cost divided by the  
13 tertiary net taxable income.

14           **SECTION 11.** 121.08 (2) of the statutes is amended to read:

15           121.08 (2) The aid computed under sub. (1) shall be reduced by the sum of the  
16 amount by which the school district equalized valuation exceeds the secondary  
17 guaranteed valuation, multiplied by the secondary required levy rate, and the  
18 amount by which the school district equalized valuation exceeds the tertiary  
19 guaranteed valuation, multiplied by the tertiary required levy rate. In no case may  
20 the aid distributed under sub. (1) and this section subsection be less than the amount  
21 under sub. (1) (a).

22           **SECTION 12.** 121.08 (2g) of the statutes is created to read:

23           121.08 (2g) The state shall pay to the school district the sum of the following  
24 amounts:

1 (a) The amount by which the primary net taxable income exceeds the school  
2 district net taxable income, multiplied by the primary required income rate.

3 (b) The amount by which the secondary net taxable income exceeds the school  
4 district net taxable income, multiplied by the secondary required income rate.

5 (c) The amount by which the tertiary net taxable income exceeds the school  
6 district net taxable income, multiplied by the tertiary required income rate.

7 **SECTION 13.** 121.08 (2r) of the statutes is created to read:

8 121.08 (2r) The aid computed under sub. (2g) shall be reduced by the sum of  
9 the amount by which the school district net taxable income exceeds the secondary net  
10 taxable income, multiplied by the secondary required income rate, and the amount  
11 by which the school district net taxable income exceeds the tertiary net taxable  
12 income, multiplied by the tertiary required income rate. In no case may the aid  
13 distributed under sub. (2g) and this subsection be less than the amount under sub.  
14 (2g) (a).

15 **SECTION 14.** 121.08 (3) of the statutes is amended to read:

16 121.08 (3) The aid computed under sub. (1) and the aid computed under sub.  
17 (2g) shall each be reduced by 50 percent of the amount by which the aid that the  
18 school district is receiving under sub. (1) as a result of the number of pupils reported  
19 as enrolled in the school district under s. 121.05 (1) (a) 7. exceeds the amount paid  
20 by the school district for tuition for those pupils.

21 **SECTION 15.** 121.08 (4) (c) of the statutes is amended to read:

22 121.08 (4) (c) The amount of state aid that a school district is eligible to be paid  
23 from the appropriation under s. 20.255 (2) (ac) shall also be reduced by an amount  
24 equal to the amount paid to the Second Chance Partnership under s. 115.28 (54) for  
25 pupils enrolled in the school district. The department shall ensure that the amount

1 of the aid reduction lapses to the general fund and that it does not affect the amount  
2 determined to be received by a school district as state aid under this section for any  
3 other purpose.

4 **SECTION 16.** 121.08 (4) (d) of the statutes is amended to read:

5 121.08 (4) (d) The state superintendent shall ensure that the total amount of  
6 aid reduction reductions under pars. (a) and (b) this subsection lapses to the general  
7 fund and that 50 percent of the aid reductions are made to the computation <sup>S</sup> under  
8 sub. (1) <sup>S</sup> and 50 percent of the aid reductions are made to the computation <sup>S</sup> under sub. <sup>S</sup>  
9 (2g) <sup>S</sup> and (2r)

10 ~~**SECTION 17.** 121.08 (5) of the statutes is created to read:~~

11 ~~121.08 (5) Of the amount distributed under this section, 50 percent shall be~~  
12 ~~distributed under sub. (1) and 50 percent shall be distributed under sub. (2g).~~

6-12

13 **SECTION 18. Nonstatutory provisions.**

14 (1) SPECIAL ADJUSTMENT AID. Notwithstanding section 121.105 of the statutes,  
15 no aid may be distributed under that section in the 2010-11 school year.

as affected by  
this  
act,

16 **SECTION 19. Initial applicability.**

17 (1) This act first applies to school aid distributed in the 2010-11 school year.

2011-12

18 (END)



1 AN ACT *to repeal* 121.07 (10) (a); *to amend* 121.07 (7) (a), 121.07 (7) (c) to (e),  
 2 121.07 (8), 121.07 (10) (title) and 121.07 (10) (b) and (c); *to repeal and recreate*  
 3 121.08 (1) and 121.08 (2); and *to create* 73.03 (29m), 121.07 (6) (f), 121.07 (7)  
 4 (bm), 121.07 (9), 121.07 (11) and 121.08 (1m) of the statutes; **relating to:** incor-  
 5 porating an income factor into the general equalization aid formula that dis-  
 6 tributes state aid to school districts.

*Analysis by the Legislative Reference Bureau*

Under the current general school aid formula, the state establishes a guaranteed tax base, known as the guaranteed valuation. The rate at which a school district's costs are aided through the formula is determined by comparing the school district's per pupil tax base (or equalized valuation) to the guaranteed valuation. State equalization aids are provided to make up the difference between the school district's actual tax base and the state guaranteed level. Thus, school districts with low property valuations per pupil receive a larger share of their costs through the formula than school districts with high property valuations per pupil.

This bill modifies the school aid formula by incorporating an income factor. The bill directs the department of revenue annually to certify to the state superintendent of public instruction the total Wisconsin adjusted gross income for each school district. The state superintendent must then calculate general school aid twice for each school district: once under the current formula and again using adjusted gross income per pupil instead of property valuation per pupil. The average of the amounts produced by the 2 methods is the amount paid to the school district, with the property-tax based formula result weighted 75% and the income-based formula result weighted 25%.

The bill first applies to the payment of state aid in the 1996-97 school year.

property

INS ANALYSIS



(10) Currently, the income of the <sup>school district</sup> residents is not a factor in the calculation of <sup>general</sup> state aid to the district.

(11) This bill provides for the distribution of 50 <sup>percent</sup> of the money appropriated for <sup>general school aid</sup> using an income equalization formula <sup>that is</sup> based on the structure of the current formula. (The other 50 percent continues to be distributed using the current property tax base equalization formula.) The guaranteed valuation ~~is~~ is based on the <sup>net taxable</sup> ~~net taxable~~ income reported by taxpayers in the school district rather than <sup>the district's</sup> ~~the~~ equalized property valuation.

property tax equalization base

(12) The bill first applies to the payment of state aid in the 2011-12 school year.



6-12:1

renumbered 121.105 (1)(a) and

Section #. 121.105 (1) of the statutes is amended to read:

PLAIN  
121.105 ~~Special adjustment aids.~~ (1) In this ~~section~~ <sup>subsection</sup> "state aid" means the sum of the payments provided to a school district under this ~~section~~ <sup>subsection</sup> (and ss. 121.08, 121.85 and 121.86).  
SEC. #. RN: 121.105 (2) (am); 121.105 (1) (b)

(1) and (2)  
(6)(a) 1.5  
(2)(a) 1

(2) (am) 1. Except as provided in subd. 2., if a school district would receive less in state aid in the current school year before any adjustment is made under s. 121.15 (4) (b) than an amount equal to 85% of the amount of state aid that it received in the previous school year, as adjusted under s. 121.15 (4) (b) in the current school year, its state aid for the current school year shall be increased to an amount equal to 85% of the state aid received in the previous school year.

2. If a school district from which territory was detached to create a new school district under s. 117.105 would receive in state aid in the school year beginning on the first July 1 following the effective date of the reorganization less than 85 percent of the amount determined as follows, its state aid in the school year beginning on the first July 1 following the effective date of the reorganization shall be increased to an amount equal to 85 percent of the amount determined as follows:

a. Divide the school district's membership in the preceding school year by the school district's membership in the 2nd preceding school year.

b. Multiply the amount of state aid received by the school district in the preceding school year, as adjusted under s. 121.15 (4) (b) in the current school year, by the quotient under subd. 2. a.

the aggregate

(2) (am) 2. A school district is eligible to receive additional aid under par. (am) only if additional aid does not result in a state aid payment greater than the school district's shared cost.

(3) In the school year in which a school district consolidation takes effect under s. 117.08 or 117.09 and in each of the subsequent 4 school years, the consolidated school district's state aid shall be an amount that is not less than the aggregate state aid to which the consolidating school districts

In this subsection, "state aid" means the sum of payments provided to a school district under this

section and ss. 121.08, 121.85, and 121.86.

6-12-2

✓ X

(2g) created

Section #. 121.105 of the statutes is amended to read:

PLAIN

121.105 Special adjustment of state aid. (b) In this section "state aid" means the sum of the payments provided to a school district under this section and ss. 121.08, 121.85 and 121.86.

1. Except as provided in subd. 2., if a school district would receive less in state aid in the current school year before any adjustment is made under s. 121.15 (4) (b) than an amount equal to 85% of the amount of state aid that it received in the previous school year, as adjusted under s. 121.15 (4) (b) in the current school year, its state aid for the current school year shall be increased to an amount equal to 85% of the state aid received in the previous school year.

2. If a school district from which territory was detached to create a new school district under s. 117.105 would receive in state aid in the school year beginning on the first July 1 following the effective date of the reorganization less than 85 percent of the amount determined as follows, its state aid in the school year beginning on the first July 1 following the effective date of the reorganization shall be increased to an amount equal to 85 percent of the amount determined as follows:

a. Divide the school district's membership in the preceding school year by the school district's membership in the 2nd preceding school year.

b. Multiply the amount of state aid received by the school district in the preceding school year, as adjusted under s. 121.15 (4) (b) in the current school year, by the quotient under subd. 2. a.

~~(b) A school district is eligible to receive additional aid under par. (am) only if additional aid does not result in a state aid payment greater than the school district's shared cost.~~

SEC. #. AM. 121.105 (3) In the school year in which a school district consolidation takes effect under s. 117.08 or 117.09 and in each of the subsequent 4 school years, the consolidated school district's state aid shall be an amount that is not less than the aggregate state aid to which the consolidating school districts

6-12-3

were eligible in the school year prior to the school year in which the consolidation takes effect. The additional state aid shall be paid from the appropriation under s. 20.255 (2) (ac).

History: 1985 a. 29, 251; 1987 a. 27; 1989 a. 31, 114, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1997 a. 27, 113; 1999 a. 9; 2001 a. 16, 104; 2005 a. 219, 222.

In this subsection, "state aid" has  
the meaning given in sub. (2r).

6-12:4

and 121.85(6)(a)1, a. <sup>and</sup> c. as renumbered and

Section #. 121.85 (6) (a) of the statutes is renumbered 121.85(6)(a)1. ~~and~~ amended to read:

~~121.85 (6) (a) <sup>is</sup> Intradistrict transfer. Except as provided under pars. (am) and (ar), the school district of attendance of pupils transferring from one attendance area to another under subs. (3) (b) and (4) shall be entitled to an amount determined as follows:~~

<sup>a.</sup> ~~121.85(6)(a) 1.~~ Divide the state aid received in the current school year under s. 121.08 <sup>(1) and (2)</sup> by the membership used to compute state aid to the school district for the current school year.

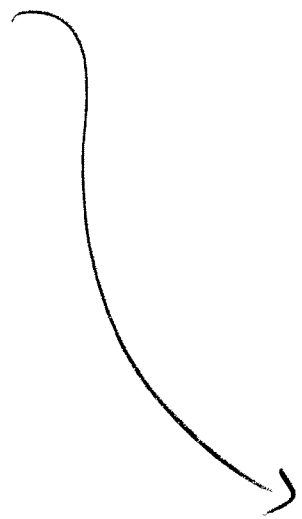
~~121.85(6)(a) 2. Multiply the number of transfer pupils, as counted for membership purposes under s. 121.004 (7), by 0.25.~~

<sup>a.</sup> ~~121.85(6)(a) 3.~~ Multiply the quotient under subd. 1 <sup>by</sup> the product under subd. <sup>1b</sup> 2.

History: 1975 c. 220; 1977 c. 29, 418; 1979 c. 34 ss. 966m, 2102 (43) (a); 1979 c. 221; 1981 c. 20, 385; 1983 a. 27 s. 2202 (42); 1983 a. 189; 1985 a. 29; 1987 a. 399; 1989 a. 31, 259, 336; 1991 a. 39, 48; 1993 a. 16; 1995 a. 27 ss. 4095m to 4098, 9145 (1); 1997 a. 27; 1999 a. 9; 2001 a. 16, 30, 105; 2005 a. 25.

9

SEC.#. CR. 121.85 (6)(a) 2.



6-12:5

~~Section #. 121.85 (6) (a) of the statutes~~

121.85 (6) (a) <sup>2.</sup> ~~Intradistrict transfer~~ Except as provided under pars. (am) and (ar), the school district of attendance of pupils transferring from one attendance area to another under subs. (3) (b) and (4) shall be entitled to an amount determined as follows:

(a) ~~2.~~ Divide the state aid received in the current school year under s. 121.08 <sup>(2g) and (2f)</sup> by the membership used to compute state aid to the school district for the current school year. ✓

(b) ~~2.~~ Multiply the number of transfer pupils, as counted for membership purposes under s. 121.004 (7), by 0.25. ✓

(c) ~~2.~~ Multiply the quotient under subd. ~~2.~~ <sup>2. a.</sup> by the product under subd. 2. <sup>b.</sup> ✓

History: 1975 c. 220; 1977 c. 29, 418; 1979 c. 34 ss. 966m, 2102 (43) (a); 1979 c. 221; 1981 c. 20, 385; 1983 a. 27 s. 2202 (42); 1983 a. 189; 1985 a. 29; 1987 a. 399; 1989 a. 31, 259, 336; 1991 a. 39, 48; 1993 a. 16; 1995 a. 27 ss. 4095m to 4098, 9145 (1); 1997 a. 27; 1999 a. 9; 2001 a. 16, 30, 105; 2005 a. 25.

6-12:6

(a)

Section #. 121.86 (2) of the statutes is renumbered 121.86 (2)(a) 1. ↑ and 121.86 (2)(a) 1. a. <sup>and</sup> c. ↑ as renumbered, and amended to read;

121.86 (2) STATE AID. (a) Except as provided under sub. (3), if a school board establishes a merged attendance area after January 1, 1984, for the purpose of reducing racial imbalance in the school district, the school district shall be entitled to an amount determined as follows:

④ 121.86 (2)(a) 1. <sup>a.</sup> Divide the state aid received in the current school year under s. 121.08 <sup>(1) and (2)</sup> by the membership used to compute state aid to the school district for the current school year.

~~b. Multiply the number of pupils enumerated under pars. (b) and (c) by 0.25.~~

~~c. Multiply the quotient under subd. 1. <sup>a.</sup> by the product under subd. <sup>b.</sup>~~

(b) The number of minority group pupils enrolled in the base school, not to exceed:

1. The number of minority group pupils who reside in the merged attendance area; minus
2. The number of minority group pupils enrolled in the base school or 30% of the total enrollment of the base school, whichever is greater.

(c) The number of minority group pupils enrolled in the nonbase schools located in the merged attendance area or 30% of the total enrollment of such nonbase schools, whichever is less.

History: 1985 a. 29; 1987 a. 399; 1989 a. 31, 309, 336, 359; 1991 a. 39, 48, 315; 1993 a. 16; 1995 a. 27.

④ SEC #. CR. 121.86(2)(a) 2m.

6-12-7

Section #. 121.86 (2) of the statutes is amended to read:

121.86 (2) ~~Subsection (a)~~ <sup>(a) 2m.</sup> Except as provided under sub. (3), if a school board establishes a merged attendance area after January 1, 1984, for the purpose of reducing racial imbalance in the school district, the school district shall be entitled to an amount determined as follows:

(a) ~~1~~ Divide the state aid received in the current school year under s. 121.08 <sup>(2g) and (2r)</sup> by the membership used to compute state aid to the school district for the current school year.

(b) ~~2~~ Multiply the number of pupils enumerated under pars. (b) and (c) by 0.25.

(c) ~~3~~ Multiply the quotient under subd. <sup>2m. a.</sup> by the product under subd. <sup>2m. b</sup>

~~(b) The number of minority group pupils enrolled in the base school, not to exceed:~~

- ~~1. The number of minority group pupils who reside in the merged attendance area; minus~~
- ~~2. The number of minority group pupils enrolled in the base school or 30% of the total enrollment of the base school, whichever is greater.~~

~~(c) The number of minority group pupils enrolled in the nonbase schools located in the merged attendance area or 30% of the total enrollment of such nonbase schools, whichever is less.~~

History: 1985 a. 29; 1987 a. 399; 1989 a. 31, 309, 336, 359; 1991 a. 39, 48, 315; 1993 a. 16; 1995 a. 27.

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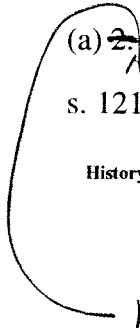
6-12-8

Section #. 121.86 (3) of the statutes is amended to read:

121.86 (3) STATE AID EXCEPTION. Pupils under sub. (2) (b) and (c) who are enrolled in a kindergarten program or in a preschool program under subch. V of ch. 115 shall be multiplied under sub. (2)

(a) ~~2~~ by a number equal to the result obtained by multiplying 0.25 by the appropriate fraction under s. 121.004 (7) (c), (cm) or (d).

History: 1985 a. 29; 1987 a. 399; 1989 a. 31, 309, 336, 359; 1991 a. 39, 48, 315; 1993 a. 16; 1995 a. 27.



1. b. and 2m. b.

✓



6-12:9

Section #. 121.90 (2) (bm) 1. of the statutes, as affected by 2009 Wisconsin Act 28, is amended to read:



and (7m)(e)1.

121.90 (2) (bm) 1. Any additional aid that a school district receives as a result of ss. 121.07 (6) (e) 1. ~~and~~ (7) (e) 1. and 121.105 (3) for school district consolidations that are effective on or after July 1, 1995, as determined by the department.

History: 1993 a. 16; 1995 a. 27; 1997 a. 27, 113, 237, 286; 1999 a. 9, 32, 186; 2001 a. 109; 2005 a. 225; 2007 a. 20, 200; 2009 a. 28.

6-12-10

Section #. 121.90 (2) (bm) 2. of the statutes, as affected by 2009 Wisconsin Act 28, is amended to read:



↑ 602 (7m) (e) 2.

121.90 (2) (bm) 2. Any additional aid that a school district receives as a result of s. 121.07 (6) (e) 2. ~~and~~ ↓ (7) (e) 2. for school district reorganizations under s. 117.105, as determined by the department.

History: 1993 a. 16; 1995 a. 27; 1997 a. 27, 113, 237, 286; 1999 a. 9, 32, 186; 2001 a. 109; 2005 a. 225; 2007 a. 20, 200; 2009 a. 28.

**Basford, Sarah**

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**From:** Western, Jennifer

**Sent:** Tuesday, March 23, 2010 12:39 PM

**To:** LRB.Legal

**Subject:** Draft Review: LRB 09-4244/1 Topic: Use income factor in distributing 50 percent of general aid

Please Jacket LRB 09-4244/1 for the ASSEMBLY.

03/23/2010