

Fiscal Estimate Narratives

DPI 3/25/2016

LRB Number	15-4680/1	Introduction Number	SB-790	Estimate Type	Original
Description Supplemental sparsity aid for school districts with high property valuation and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill would create a new, sum sufficient GPR appropriation for a supplemental sparsity aid program for a school district that qualifies for sparsity aid under current law, beginning in the 2016-17 school year. A school district qualifies for sparsity aid under current law if the number of pupils, or membership, in the district is no more than 725 and if the membership divided by the school district's area in square miles is less than ten. A school district that qualifies for the categorical aid under the bill receives the lesser of the following: 1) The absolute value of its equalized aid at the tertiary level; or 2) An amount equal to the difference between the district's and the statewide average mill rate, multiplied by the district's adjusted equalized value.

Current law defines the equalized valuation of a school district as the full value of the taxable property in each part of each city, village, and town in each school district; this value is determined, annually, by the Department of Revenue, which certifies the amount to DPI. Current law defines "tertiary guaranteed valuation per member" as the amount, rounded to the next lower dollar, determined by dividing the equalized valuation of the state by the state total membership. Current law defines "tertiary required levy rate" as the tertiary shared cost divided by the tertiary guaranteed valuation. Current law defines "tertiary shared cost" as that portion of a school district's shared cost which is greater than the secondary ceiling cost per member multiplied by its membership. Finally, current law defines the "secondary ceiling cost per member" as an amount determined by dividing the state total shared cost in the previous school year by the state total membership in the previous school year and multiplying the result by 0.90.

For a school district to be eligible for the categorical aid program under this bill, a school district must meet the following criteria: 1) It was eligible to receive sparsity aid in 2015-16; 2) It had an adjusted equalized value per member greater than its tertiary guarantee value (i.e. the statewide average equalized value per member) in the prior year; and 3) It had an adjusted mill rate greater than the statewide average mill rate in the prior year. The bill requires the Department to first adjust the equalized value and the mill rate for K-8 and union high school districts, by a factor of 0.33 and 0.66, respectively, prior to comparing to statewide average equalized value per member and mill rate.

The Department estimates that 22 districts would be eligible for the categorical aid under this bill in 2016-17. All eligible districts would receive aid equal to the absolute value of their aid at the tertiary level, because the difference between the district's and the statewide average mill rate, multiplied by the district's adjusted equalized value, was always greater than the absolute value of the district's tertiary aid. The total cost of this aid is estimated at \$5.6 million in 2016-17.

As constructed, the aid would be provided as a categorical aid, received outside the revenue limits. While the amount of aid would be equal to the absolute value of the negative tertiary aid and be an "offset" in that respect, it would not reduce property taxes; the proposed bill does not modify s. 121.60 (2) (am), Stats., which defines "state aid" for purposes of revenue limits and the allowable tax levy of school district, to include this proposed categorical aid.

Local: School districts that are eligible would receive categorical aid in an amount equal to the absolute value of the tertiary aid calculated for their district. This aid would be received outside the revenue limit, thus represents additional spending capacity for a school district. The proposed aid program would not impact how aid is distributed within the equalization aid formula.

State: Because the appropriation would be sum sufficient, the state would pay out an amount equal to actual aid eligibility, estimated at \$5.6 million in 2016-17.

Long-Range Fiscal Implications