Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2017 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **17-4433/2**	Introduction Number **AB-0677**

Description
sparsity aid and making an appropriation

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

☒ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☒ Increase Revenue
   ☐ Permissive ☒ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☒ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

s. 20.255 (2) (ae), Wis. Stats.

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 12/6/2017

LRB Number **17-4433/2**	Introduction Number **AB-0677**	Estimate Type **Original**
Description sparsity aid and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

This bill makes certain additional school districts eligible for sparsity aid. Under current law, a school district is eligible for sparsity aid in the amount of $300 per pupil if the school district's general aid membership in the previous school year did not exceed 745 pupils and if the membership divided by the school district's area in square miles is less than ten. Also under current law, as affected by 2017 Wisconsin Act 59, the 2017-19 biennial budget bill, a school district that was eligible to receive sparsity aid in the previous school year but that is not eligible to receive sparsity aid in the current school year would receive up to 50 percent of the aid the school district received in the previous school year.

This bill increases the per pupil payment to $400 beginning with aid paid in the 2018-19 school year. Also under this bill, a school district with fewer than ten pupils per square miles and with a membership in the previous school year of more than 745 but no more than 1,000 would be eligible for sparsity aid in the amount of $100 per pupil.

Finally, this bill eliminates, after the 2017-18 school year, the ability of a school district that is no longer eligible for sparsity aid to receive up to 50 percent of the sparsity aid the school district received in the previous school year.

State:

The bill increases the appropriation for Sparsity Aid by $9,669,800 GPR beginning in FY19 to reflect: 1) extending eligibility to additional school districts under this categorical aid program; and 2) increasing the per pupil payment to currently eligible school districts under this categorical aid program.

Eligibility for Sparsity Aid is determined using the school district's membership in the prior year in combination with the current law pupil density (members per square mile). It is not possible to accurately calculate eligibility for the 2018-19 school, as aid for that school year will be based on audited FY18 membership, which is not available until June 2018. However, had the bill been in effect for the current school year (2017-18), using 2016-17 membership, a total of 182 school districts would have been eligible for Sparsity Aid, an increase of 38 school districts over the 144 eligible school districts that were eligible for Sparsity Aid in the 2017-18 school year under current law.

The increase in the number of eligible school districts is due to the creation of the second tier of eligibility under the bill (pupil density of less than ten and a membership greater than 745 and no more than 1,000 pupils). If the Tier 2 eligibility criteria had been in place for this year, the 38 newly eligible districts would have received a total of approximately $3,282,900. Raising the per pupil payment from $300 to $400 for Tier 1 eligible districts, if it had been in place for Sparsity Aid paid in the 2017-18 school year, would have provided $24,883,100 (and increase to Tier 1 districts of $6,386,900). The total increase in eligibility, compared to current law, would have been $9,746,400; because this exceeds the additional amount appropriated under the bill ($9,669,800), aid would have been prorated at a rate of 99.7%.

Finally, the bill eliminates the "stop gap" provision, as affected by 2017 Wisconsin Act 59, which provides that a school district that was eligible to receive Sparsity Aid in the previous school year but that is not eligible to receive Sparsity Aid in the current school year will receive up to 50 percent of the aid the school district received in the previous school year. No school district lost eligibility for Sparsity
Assuming the full appropriation is expended, the bill will result in an increase in state spending of $9,669,800 GPR, from the state's General Fund in FY19 and thereafter.

Local:

It is not possible to accurately project eligibility for Sparsity Aid in the 2018-19 school year without audited

FY18 membership (available in June 2018). However, if the bill had been in place for the calculation of 2017-18 Sparsity Aid, using 2017-18 membership data, the Department projected that 38 school districts would become eligible under Tier 2; those districts would have received $3,282,900, ($100 per pupil, prorated at 99.7%). Tier 1 districts would have received additional Sparsity Aid in an amount of $6,386,900 as a result of increasing the payment from $300 to $400 per member (additional $100 per member, prorated at 9.7%). On a statewide level, the changes under this bill would result in additional spending authority for districts, as Sparsity Aid is received outside the revenue limit (statewide total of $9,669,800).

The Department is not able to project the number of school districts that will lose eligibility for Sparsity Aid in 2018-19 under current law, and would thus receive the stop gap payment in 2018-19. However, a district that loses eligibility because its membership increases above 745 (density factor still less than ten members per square mile) stands to receive an ongoing Sparsity Aid payment of $100 per member under the bill – assuming membership remains at 1,000 or less and the density factor does not rise to 10 members or more per square mile – as compared to current law, which would provide a one-time payment of up to half of the Sparsity Aid amount received in the prior year (i.e., up to $150 per member, but just for one year).

Long-Range Fiscal Implications