



TOM TIFFANY

STATE SENATOR • 12TH SENATE DISTRICT

Assembly Bill 824 Senate Committee on Education March 3rd, 2016

Thank you Chairman Olson and members of the Senate Committee on Education for allowing me to submit testimony on Assembly Bill 824.

Sparsity aid was originally created in the 2007-09 budget as a way to help the states rural school districts. Districts receive the aid, \$300 per member, if they have fewer than 725 students and less than 10 students per square mile. 2015 Wisconsin Act 55 (biennial budget) eliminated a third criteria requiring at least 20 percent eligibility for free or reduced-price meals. Many districts in Northern Wisconsin qualify for the program as school districts can cover vast areas with relatively few school age children.

Additional aid through the sparsity program is especially important in Northern Wisconsin. Unlike urban or suburban school districts, our rural school districts are unable to make use of economies of scale. Our students have to travel great distances to their school, while transportation costs have relaxed lately, this puts great pressure on school district transportation budgets.

We are proposing to lift the cap from 725 students to 745 beginning in the 2016-17. In addition, if after the department has paid sparsity aid to currently eligible school districts and there is still a balance remaining, the department shall pay to each school district that received aid in the previous school year but does not qualify in the current year \$300 multiplied by the membership in the previous year. Rural school district have come to rely on sparsity aid but a couple districts have memberships that have grown just above the current cap.

We believe this is a sensible compromise to allow districts to qualify for sparsity aid if they have the previous year and there are funds remaining. I want to thank the committee for hearing this bill and encourage your support.

Tom Tiffany
Wisconsin State Senate
12th Senate District



KATHLEEN VINEHOUT

STATE SENATOR

**Testimony in Support of AB 824- Sparsity Aid
Senate Committee on Education
Thursday, March 3, 2016**

I thank Chairperson Olsen and committee members for your consideration of Assembly Bill 824, which will allow the school districts of Spring Valley and Crivitz to continue to receive crucial Sparsity Aid funding.

Rural schools are the very heart of our rural communities and they are struggling to survive.

The current school funding formula puts rural districts at a disadvantage. These districts are dealing with declining enrollment, rising property values, low median income, higher transportation costs, large geographic boundaries and distance from neighboring school districts. These factors coupled with successive cuts in state aid force rural districts to cut programs and eliminate services or turn to property taxpayers with referenda simply to cover operating costs.

Superintendent Luke Francois of Mineral Point School District put it well when he said, *We still need to run a bus every morning, we still need to provide custodial staff to clean the buildings, administrative support to run the buildings, but with 10 fewer kids and roughly \$10,000 per kid less revenue, we have \$100,000 less available to us to do the things that cost more.*"

Back in 2007, I successfully included a provision in the state budget establishing a categorical aid targeted at these small, rural school districts called Sparsity Aid. While it has not solved the funding challenges facing our small rural schools, it provides a much-needed source of funding on which these districts have come to rely. Spring Valley and Crivitz were two of the districts benefitting from Sparsity Aid.

Unfortunately, for the 2015-16 school year, Spring Valley and Crivitz became the only two districts previously eligible for Sparsity Aid that no longer qualified. A slight increase in the number of students put the districts over the enrollment cap. The modifications provided in AB 824 will make Spring Valley and Crivitz eligible and allows DPI to allocate unexpended Sparsity Aid dollars to these districts.

I am pleased AB 824 is moving forward but other rural districts are in need of assistance.

A quirk in the state's equalization aid formula requires some rural school districts to give back state aid even though they receive sparsity aid to assist with maintaining basic operations. These districts fall into the category of Negative Tertiary Aid.

Under the state's equalization aid formula, negative tertiary aid requires wealthy school districts – defined as those with high property value – to give back state aid to “equalize” available resources across the state. The problem arises because so many of our rural districts have high property value but they have low resident income.

The Pepin school district is an example of the problem. Pepin school district, which qualified for sparsity aid, loses \$900,000 a year in “negative tertiary aid” when their mill rate is \$14 per \$1,000 assessed value. The statewide average is about \$10.26 per \$1,000 assessed value.

At the request of several Superintendents of rural schools, I proposed a bill would eliminate or reduce “negative tertiary aid” for school districts receiving sparsity aid. This, like AB 824, is a commonsense change to help small rural districts. I included the bill language with this testimony.

Ultimately, we should increase the number of rural schools eligible for Sparsity aid by lifting the enrollment cap to 1500. Over half of Wisconsin's school districts have an enrollment of fewer than 1000. These districts face a very similar struggle with less state aid to meet every-increasing costs of operation.



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-4680/1
TKK:ahe

2015 BILL

1 **AN ACT** *to create* 20.255 (2) (ag) and 115.4365 of the statutes; **relating to:**
2 supplemental sparsity aid for school districts with high property valuation and
3 making an appropriation.

Analysis by the Legislative Reference Bureau

This bill creates a categorical aid for a school district that qualifies for sparsity aid under current law but that does not receive sparsity aid payments from the Department of Public Instruction because of high property valuation in the school district. 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) an amount determined by multiplying the equalized valuation of the school district by the difference between the mill rate of the school district and the statewide average mill rate, or 2) the amount by which the tertiary guaranteed valuation per member of the school district exceeds the school district equalized valuation multiplied by the tertiary required levy rate.

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

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“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 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:

1 **SECTION 1.** 20.255 (2) (ag) of the statutes is created to read:

2 20.255 (2) (ag) *Supplemental sparsity aid for school districts with high property*
3 *valuation.* A sum sufficient for supplemental sparsity aid for school districts with
4 high property valuation under s. 115.4365.

5 **SECTION 2.** 115.4365 of the statutes is created to read:

6 **115.4365 Supplemental sparsity aid for school districts with high**
7 **property valuation.** (1) In this section, “membership” has the meaning given in
8 s. 121.004 (5).

9 (2) Beginning in the 2016–17 school year and annually thereafter, the
10 department shall determine all of the following for each school district that was
11 eligible to receive aid under s. 115.436 in the previous school year:

12 (a) The equalized valuation of the school district in the previous school year,
13 as determined under s. 121.06 for the purpose of computing state aid to the school
14 district under s. 121.08 in the previous school year. The department shall make the
15 following adjustments to the equalized valuation determined under this paragraph,
16 if applicable:

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1 1. Multiply the equalized valuation determined for a school district that
2 operates only the elementary grades by 0.66.

3 2. Multiply the equalized valuation determined for a school district that
4 operates only high school grades by 0.33.

5 (b) The membership of the school district in the previous school year as used
6 for purposes of computing state aid to the school district under s. 121.08 in the
7 previous school year.

8 (c) The mill rate of the school district in the previous school year. The
9 department shall make the following adjustments to the mill rate determined under
10 this paragraph, if applicable:

11 1. Multiply the mill rate determined for a school district that operates only
12 elementary grades by 0.66.

13 2. Multiply the mill rate determined for a school district that operates only high
14 school grades by 0.33.

15 (3) A school district is eligible for sparsity aid under this section if all the
16 following apply:

17 (a) The school district was eligible for sparsity aid under s. 115.436 in the
18 previous school year.

19 (b) The amount determined under sub. (2) (a) for the school district divided by
20 the amount determined under sub. (2) (b) for the school district is greater than the
21 tertiary guaranteed valuation per member, as determined for the previous school
22 year under s. 121.07 (7) (bm).

23 (c) The amount determined under sub. (2) (c) for the school district is greater
24 than the statewide average mill rate in the previous school year.



Jeff Mursau

STATE REPRESENTATIVE • 36TH ASSEMBLY DISTRICT

Senate Committee on Education

AB 824/SB 664: Sparsity Aid

Good morning Mr. Chairman and members of the committee. Thank you for taking the time to hear my testimony today.

I represent the School District of Crivitz. Last fall I was contacted by the Superintendent who informed me the district no longer qualified for Sparsity Aid because their summer school enrollment had put them over the cap. This meant the district would lose over \$200,000 in aid they had planned on. As I'm sure you can understand, this was a significant hit to this rural school district.

The 2014-2015 full-time equivalent students (FTE) number without summer school FTE's was 718 and the cut off for being eligible for sparsity aid is 725. Under that metric Crivitz would have qualified for sparsity aid this year. However, since the district offers summer school opportunities, it added 11 FTE's to the district's count and by DPI's calculation Crivitz was then at 229 FTE's, putting the district over by 4 FTE's (students).

After contacting DPI we found out that Crivitz and Spring Valley School Districts were the only two districts statewide that qualified for sparsity aid in 2014-2015, but not 2015-2016. We were also informed that the sparsity aid allocation still had funds remaining.

The bill authorizes DPI to pay any unexpended sparsity aid to a school district that qualified for aid in the previous school year, but because of an increase in the schools membership, does not qualify in the current school year. The payment would be pro-rated and spread among any eligible districts. The bill also changes the membership cap of the school district from 725 to 745 pupils beginning in the 2016-2017 school year.

I have attached a letter from the School District of Crivitz in support of this bill. I think the Superintendent does a great job of explaining both the importance of being able to offer summer school opportunities to the families in this rural district and the much needed sparsity aid.

The Assembly Bill passed the Assembly Education Committee and the full Assembly unanimously. I hope we will have Senate support as well.

Thank you again for holding this hearing today. I'm happy to take any questions you may have.



Warren Petryk

State Representative • 93rd Assembly District

To: Members of the Senate Committee on Education

From: Representative Warren Petryk

Re: Assembly Bill 824 – Sparsity Aid

Date: March 3, 2016

Thank you Chairman Olsen and members of the committee for taking the time to hear about the importance of Assembly Bill 824. My sincere thanks as well to my fellow co-author, Representative Mursau, for his leadership in drafting this bill.

As you all know, sparsity aid was originally created as part of the 2007-09 budget as recommended by the State Superintendent's Rural School Advisory Council. Due to the unique circumstances for rural schools including declining enrollment, increased numbers of financially disadvantaged students, and unstable property values, school funding for rural school districts can be unbalanced.

In 2013-14 both Spring Valley (in the 93rd Assembly District) and Crivitz (in the 36th Assembly District) became eligible for these crucial funds for rural districts. Unfortunately, due to a small student increase in both districts, both became ineligible in 2015-16.

After meeting with representatives from the Department of Public Instruction, it was determined that both Crivitz and Spring Valley could regain their eligibility with some small changes to sparsity aid as laid out in Assembly Bill 824. The Department still has funds that can be distributed specifically for sparsity aid and those funds should be fully utilized for the benefit of our rural schools.

Sparsity aid eligibility for 2015-16 is based on 2014-15 membership, which was 740 full time equivalent (FTE) students for Spring Valley (of which 12 were summer school FTE). By including the summer school students and a small increase in the total number of students, Spring Valley exceeded the 725 student limit.

Spring Valley's 2014-15 sparsity aid amount, \$169,081, was based on 2013-14 membership of 716 (13 summer FTE), and a proration factor of 78.7 percent. Under Assembly Bill 824, Spring Valley would qualify for a portion of the \$300 per pupil sparsity aid (80.6 percent) which equals roughly \$179,131.

Assembly Bill 824 passed that Assembly Committee on Education on February 12, 2016 by a vote of 16 to 0. It then passed the full Assembly on a voice vote on February 18th, 2016.

This fiscal relief made available to rural school districts is imperative to their success and survival. I ask for your support today for my school district as well as Representative Mursau's. Together we can make a difference for all the public school students who reside in these rural communities.